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A Critical Analysis of the Relationship between  
Marketing Agencies and their Clients in the  
Banking and Telecom Service Sector in Pakistan

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A Thesis Submitted in partial fulfilment of the  
requirements of the  
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Degree of Doctor of Philosophy

Manchester Metropolitan University  
Business School  
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Tourism  
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## ABSTRACT

This research explores business-to-business (B2B) relationships between marketing agencies and their clients in the banking and telecom service sectors in Pakistan and identifies the key determinants that play a key role in strengthening their relationship.

The review of existing literature suggested that the relationship marketing (RM) discipline addresses the formation and management of B2B relationships. Based on the existing literature on relationship marketing (RM) and agency-client relationships, a conceptual theoretical framework was developed that highlights the stages of relationships and the key determinants that influence these associations between the selected marketing agencies and their clients. The conceptual theoretical framework helped in designing the data collection procedure, which included conducting 21 semi-structured interviews with selected clients and their marketing agencies' personnel.

Data were collected from three banks and five telecom service providers and their marketing agencies in Pakistan, and a thematic analysis was performed for the analysis of the data. The findings from this research helped in the formation of an agency-client relationship framework highlighting five key stages of agency-client relationships along with the main factors that play a significant role in each stage of the relationship. The findings of this research explored the influence of social exchange theory (SET) and social network theory (SNT) in agency-client relationships, finding that the evaluation of marketing agencies' performance by their clients is based significantly on the behavioural context of the marketing agency rather than the financial context. Particularly, keeping in line with the principles of social network theory (SNT), this research found that marketing agency business networks constitute a key factor in the selection criteria used to pursue clients. The findings showed that clients from the banking sector prefer to hire a marketing agency that has a local/nationwide business network, whereas telecom firms prefer to hire a marketing agency that has a network expanded to other countries and thus has more resources. Furthermore, key differences and similarities were highlighted in terms of the way relationships are managed between marketing agencies and clients in the banking and telecom sectors in Pakistan.

**Keywords:** Relationship Marketing, Services Marketing, Marketing Agency, Client, Social Exchange Theory, Social Network Theory.

**DECLARATION**

This thesis is submitted in fulfilment of the requirements of the award of the Doctor of Philosophy degree at Manchester Metropolitan University. I declare that this thesis entitled 'A Critical Analysis of the Relationship between Marketing Agencies and their Clients in the Banking and Telecom Service Sector in Pakistan' has been complied by me and no part of this work has been submitted in support of an application for another degree or qualification in any other University/Institution.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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## Chapter 1

### 1. Introduction

Growing a customer base is one of the most difficult and challenging aspects of running a business (Ndubisi, 2007; Peppers and Rogers, 2016). In a competitive business environment, it is increasingly becoming essential that companies have a comprehensive marketing plan that helps them survive and grow their business. In addition, they employ various modes of communication to deliver their message to a target audience. The aim of marketing communications is to promote a product/service and inform consumers through various channels of communication (Fill and Turnbull, 2016). Some companies have an in-house marketing department that looks after marketing activities; however, in many instances, and typically in cases where companies do not have marketing experience and expertise, they hire marketing agencies to develop and implement promotional campaigns (Low, 2000). Marketing agencies play an essential role in operationalizing the marketing strategy of a firm (Keegan *et al.*, 2017), as experience and expertise in their field of operation save clients time and costs (Hill and Sullivan, 2012). Furthermore, giving marketing tasks to marketing agencies allows clients to concentrate on their primary business function (Backwith, 2007). The outsourcing of marketing activities to specialist agencies constitutes a business relationship between the marketing agency and the client, which – like any other relationship – is prone to problems and conflicts, such as self-interest and lack of trust (Durkin and Lawler, 2001; Nikolova *et al.*, 2015).

The relationship marketing (RM) discipline particularly addresses such conflicts and problems that arise in business relationships (Kolís and Jirinova, 2014). This marketing imperative recognises how long-term and successful business relationships are formed with all key stakeholders in a complex and competitive business environment.

The motivation for this research is based on the exploration of the ‘services marketing’ discipline, which presents more challenges to marketers, owing primarily to the intangible nature of services (Oldenboom and Abratt, 2000; Estelami, 2012). Further exploration of the topic area found that RM helps deal with complexities in business relationships, particularly within the services marketing domain (Harker and Egan, 2006; Eiriz and Wilson, 2006; Christopher *et al.*, 2013). The research presented in this

thesis explores predominantly the RM approach dealing with business relationships within the banking and telecom service sectors.

Existing literature on RM suggests that in these sectors, business partners are not fully satisfied with their relationships because there is a lack of confidence and cooperation with their business partners (e.g. Zineldin, 1996; Naumann *et al.*, 2009; Kromidha and Kristo, 2014), although, aligned with a rapidly changing business environment and competitive markets, long-term B2B relationships are seen as being key to a successful business (Gronroos, 2006; Sarmiento *et al.*, 2015). In order to explore and investigate RM practices in the banking and telecom service sectors, this research explores business-to-business (B2B) agency-client relationships, particularly:

- The formation of B2B agency-client relationships
- The most influential B2B relationship determinants
- The influence of social exchange theory and social network theory perspectives on B2B relationships in the context of B2B agency-client relationships.

In this respect, this research, titled “A Critical Analysis of Relationship between Marketing Agencies and their Clients in the Banking and Telecom Service Sector in Pakistan”, was formulated not only to satisfy rigorous academic requirements, but also to help practitioners in service sector firms and marketing agencies manage their relationships in such a way that is beneficial to them as well as their business partners. The research question for this study is framed as follows.

### **1.1 Research Question**

- How are B2B relationships maintained in the banking and telecom service sector?

The central aim of this research is:

- To explore how marketing agencies and service sector clients (i.e. banks and telecom companies) maintain business relationships in Pakistan.

To achieve this aim, the following objectives are formulated based on gaps identified and highlighted in the existing literature in Chapter 2.

## 1.2 Research Objectives

1. To critically evaluate the rationale for banks and telecom company's engagement with the marketing agencies in Pakistan.
2. To identify the criteria adopted by banks and telecom companies when selecting marketing agencies in Pakistan.
3. To evaluate critically how the relationships between clients and marketing agencies are managed, including the extent to which social exchange and social network perspectives have an influence.
4. To make a theoretical contribution to the B2B Relationship Marketing (RM) literature by developing a framework that best describes the key determinants of relationships between marketing agencies and clients in the banking and telecom service sector.

## 1.3 Rationale for this Study

This research is worthy in this perspective that the way a firm manages its relationships with its business partners not only affects quality of its service but it also has effects on customer perceptions of the service (Ricard and Perrien, 1999). Furthermore, Thuman (1992) proposed that, the relationship marketing discipline has significant potential when developed in the services sector (i.e. firms that offer intangible services). He argued further that exploring B2B relationships is important in the services sector, because what the service firms offer to their customers is known as "process consumption," meaning that services are consumed during the production process, and therefore they have an impact on service quality. This simultaneous production and consumption increases the need to look in depth into the area of B2B relationships in the services sector, because many B2B relationships take place during the service production. For any marketing activity, the satisfaction of the end-user or customer is the major outcome that firms try to achieve. In this way, B2B relationships not only affect service quality, but such relationships also have an effect on customer perceptions, which leads ultimately to satisfaction (Crosby *et al.*, 1990; Jamal and Naser, 2003).

From the perspective of the firms chosen in this research, the telecom and banking sectors offer complex challenges to marketers, as the services that are offered by these firms are complex and intangible inasmuch that 'consumption' and 'production' are inseparable. These features generate more reliance on the perception of the services that these firms offer to customers (Floh and Treiblmaier, 2006), so the link between customer perception, customer satisfaction and B2B relationships is evident, such that the ways in which banks and telecom companies manage relationships with their business partners influence customer perceptions about the services that are provided by these firms. The marketing of financial and telecom services requires expertise, experience and coordination with the client, and banks and telecom companies particularly are heavily dependent on marketing experts for creating awareness among customers about their services (Laforet and Li, 2005; Okyere *et al.*, 2011; Halinen, 2012). Understanding the nature of the relationship between clients and marketing agencies in this context is therefore critically important. Furthermore, as business relationships move through different phases over the passage of time, not all RM strategies are effective (Zhang *et al.*, 2016). In this respect, this research not only explores the complexity of the relationship between marketing agencies and their clients, but it also investigates the different phases through which such relationships go through, by investigating the role of key determinants that play a significant role at each phase/stage. This research also explores the conflicts that may arise, before finally examining the significance of two influential theories, namely social exchange theory (SET) and social network theory (SNT) in managing B2B relationships in Pakistan.

From the marketing perspective, the relationship between marketing agencies and service sector clients (particularly banks and telecom firms) is crucial, as it ultimately influences customer satisfaction and perceptions. When properly undertaken, the marketing campaign for such (i.e. intangible and complex) services requires a great deal of effort from both marketing agencies and their clients, thereby forming a B2B relationship. Owing to this huge amount of effort and complexity of marketing in different industry sectors, it is established herein that most agency-client relationships last fewer than ten years (Kitchen, 1999). The existing literature suggests that changing a marketing agency and developing a new relationship with another provider can have

a negative effect on a firm (client) in terms of aligning its business operations with this new entity (Mathur and Mathur, 1996; Waller, 2004).

Agency-client relationships appear to fail frequently, due to problems and conflicts that arise in their relationship (Turnbull, 2016). Particularly in the financial services sector, it seems even more difficult to manage such B2B relationships (Doyle *et al.*, 1980; Buchanan and Michell, 1991; Halinen, 2012). Furthermore, in a recent study, Heo and Sutherland (2015) found that the average length of the agency-client relationship has decreased progressively, from eight years in the 1980s to 18–36 months as recorded in the first decade of 2000. In another related study, Turnbull (2016) argued that it is more realistic to expect agency-client relationships to last fewer than three years. Thus, one of the objectives of this research is to develop a deeper understanding of the factors and the nature of the conflicts that cause problems in B2B relationships in service sector firms, particularly in the banking and telecom sectors.

The existing literature shows that conflicts that may arise on either side of the relationship play a major role in the breakdown of relations (Triki *et al.*, 2007). As discussed earlier, this failure affects ultimately end-user or customer satisfaction. From the agency-client relationship perspective, a failed affiliation is a lose-lose situation whereby, on the one hand, it means losing an account and damage to the agency's reputation. On the other hand, it requires a client to invest additional time in finding a new agency, in addition to discontinuity in the firm's promotional strategy and the incurring of costs for switching between agencies (Buchanan and Michell, 1991; Dowling, 1994; Empson *et al.*, 2015).

In terms of the chosen country in this research, namely Pakistan, compared with Western countries it is considered a 'high context' culture (Sohaib and Kang, 2014) in which people have close connections over a long period of time, and personal relationships with friends and family are more important compared to professional dealings – such personal relationships can be extended to affect business relationships (Prendergast *et al.*, 2001). As a result of such cultural and societal influences, the key elements behind the agency-client relationship identified in the existing literature (as discussed in the following chapter) in the context of other countries, such as the level of commitment and relationship longevity, may not be applicable in the same context



in Pakistan. It is therefore worth investigating the determinants of business relationships in this developing country context, in order to investigate whether those that are identified in the existing literature are similar to or different from what this study finds.

This is the first time that research has been conducted on the Pakistani banking and telecom sectors (to be best of the researcher's knowledge) with relevance to the relationships between the marketing agencies and their clients. The conclusions drawn herein will prove a useful tool for other marketing agencies, telecom firms and banks in the country as well as (South Asia) with similar market contexts in the southern Asia region. This research addresses some of the major concerns that are faced by local marketing agencies, from which the major concern centres on the entry of foreign marketing agencies into the Pakistani market. Indigenous marketing agencies consider this a threat to their existence, because foreign marketing agencies bring with them a wealth of foreign market experience and resources (source: Pakistan Advertisers Society, PAS, 2016), more details on which are provided in the following section 1.5. In this sense, it is believed that this research is especially timely in the sense that it provides an in-depth analysis into a client's selection criteria and various influential factors in these relationships. Based on the findings, marketing agencies may subsequently align their business operations and working interactions to suit clients' requirements in both sectors and strengthen their business relationships.

## **1.4 Methodology**

An important aspect of this research is the involvement of the key actors and stakeholders that manage B2B relationships within the selected firms. Primary data for this research were therefore gathered from research participants from three banks and five telecom companies, and their marketing agencies, in Pakistan. Semi-structured interviews were conducted with the respondents (from the banks and telecom companies) directly involved in business operations with their marketing agencies. In addition, semi-structured interviews were conducted with the account executives and creative directors of the marketing agencies hired by the selected firms. Observations and documentary evidence also support the data collection

process. Thematic analysis was used to analyse the interviews with the help of computer-assisted qualitative data analysis software (CAQDAS) NVivo. Further discussion about the methodology of this research is found in Chapter 3 (titled “Method”).

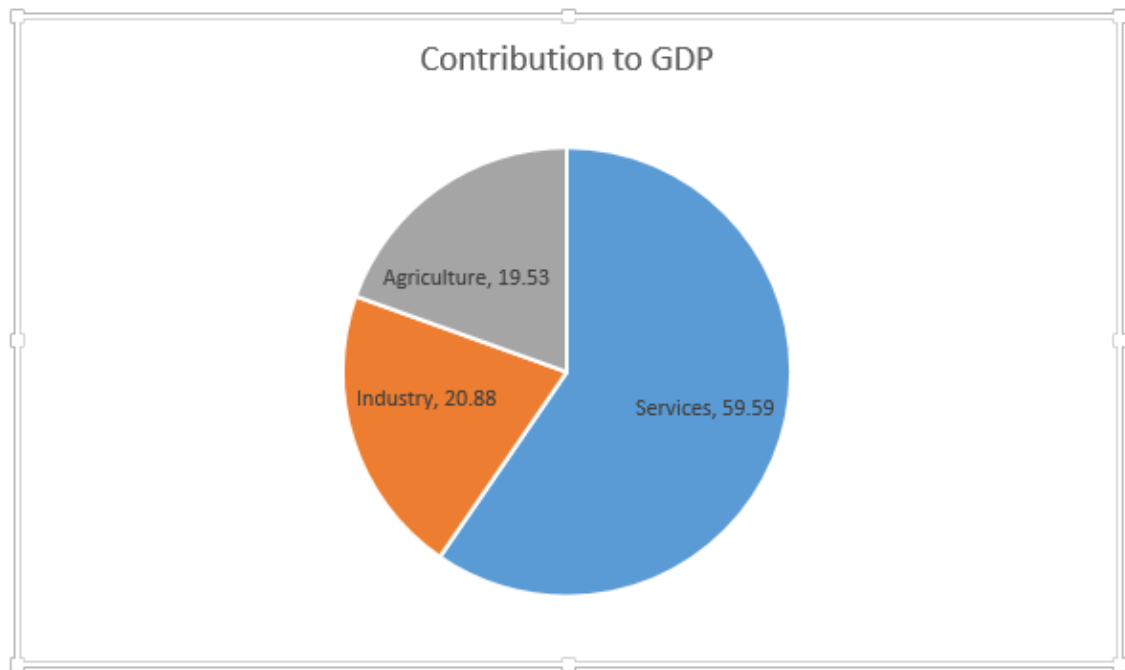
## **1.5 Research Participants and Focus Area**

This section highlights the need and justification for investigating agency-client relationships in Pakistan’s telecom and banking sectors. Pakistan is a developing country, and its service sector has a major role in the overall economic growth of the country (The World Factbook, 2017). According to the Mckinsey & Co. Global Report (2015), developing countries are playing an increasingly critical role in global media growth, and it is predicted that particularly countries from the Asia-Pacific region, which includes Pakistan, will be the largest source of absolute growth in this industry over the next five years.

Highlighting the unique aspects of different countries, several authors, such as Kaynak *et al.* (1994), Raymond and Lim (1996) and Czinkota and Ronkainen (2013), have argued that the marketing environments of developed and developing countries are different, and there is no assurance that the formation and models of business relationships such as the ‘agency-client relationship’ can be the same in this environment. Several differentiating factors have significant effects on business relationships; for instance, some developing countries place restrictions on the media, change cultural, political and legal conditions and have different levels of competition than developed countries (Shao, 1996; Czinkota and Ronkainen, 2013). Considering this notion from the perspective of marketing in a nation such as Pakistan, foreign marketing agencies may also face greater challenges in terms of restrictions on the marketing of sensitive products, from cultural and religious perspectives in particular and from a societal perspective in general, as compared to many Western countries. Furthermore, international advertising standardisation may be applicable to cluster countries on the basis of their cultural similarities – as in the case of many Western countries (Harris, 1994; Wei and Jiang, 2005). Particularly in Pakistan, though, international advertising standardisation is not practiced to the level seen in most

Western nations, due to differences in cultural norms, restrictions on the media and consumers' literacy rates, which sometimes makes it difficult for customers to understand the marketing message that is conveyed to them (Sohaib and Kang, 2014; Imtiaz *et al.*, 2015). The following figure shows the percentage contribution of different industry sectors in Pakistan.

Figure 1.1. Contribution of different sectors to the GDP of the country in percentage terms



Source: Pakistan Economic Survey (2016-17)

As shown in the figure above, the service sector's total share in Pakistan's economy is 59.59% (Pakistan Economic Survey, 2016-17), but it is still growing, and in particular there is increasing growth in the finance and telecommunication sectors (Ahmad and Ahsan, 2011; Khan *et al.*, 2016). Moreover, important policy reforms such as privatisation, giving room to foreign direct investment (FDI) and deregulation, took place in the 1990s to boost economic growth, predominantly in the services sector (Hussain *et al.*, 2009; Ajmair and Ahmad, 2011). In the past, Pakistan was considered an agricultural country; however, more recently, service sector growth has been higher than in the agriculture and industrial sectors (Ahmad and Ahsan, 2011; Ajmair *et al.*, 2016), and now it is considered an engine of growth (Pakistan Economic Survey, 2016-17). Iqbal *et al.* (2010) found this transformation is due to the major contribution made

by the banking, telecoms and oil and gas industries. Within the services sector, private services are an important source of revenue generation for the government, contributing 26% of the total income collected from taxes compared to 1% from the agriculture sector (source: Pakistan Ministry of Commerce, 2016). Although the country is still considered by many as an agricultural nation, there is increasing urbanisation, the share of employment in agriculture is decreasing and people are moving towards other areas of the economy to find better opportunities and increase their earnings (Khan *et al.*, 2013). The service sector provides jobs that are diverse in nature, such as unskilled, semi-skilled, skilled and highly skilled labour, including doctors, engineers, advocates and financial consultants. Ajmair and Ahmad (2011) explain that Pakistan was dependent on agriculture in the 1950s, 60s and 70s, but gradually the economy has shifted towards the manufacturing and service sectors. Studying the period from 1990-2005, the authors found that the increased usage of services such as communication, financial, IT and health services played an important role in economic growth during that time. Supply side factors such as economic reform and technological advancements also played a significant role in this growth.

These findings are in line with research on the growth potential of the service sector in general; for example, Batley (1996) argued that there is more room in this regard in developing countries, where many state operations are still run by governments, such as railways, agriculture, commerce, etc. He argued further that many state-owned organisations are being privatised due to the scarcity of government resources or pressure from international aid donors. Although Batley's (1996) research is almost two decades old, this is also the case in present-day Pakistan, where, as a result of political and macroeconomic instability, the government has agreed to an IMF (International Monetary Fund) standby arrangement, in order to prevent a balance of payments crisis (The World Factbook, 2017). Another step towards stabilising the economy during the last few years was the privatisation of banking and telecom sectors of Pakistan which has seen unprecedented development after the initiative took by the government of privatisation. This has set rivalry competition among privatized banks and telecom companies to attract new customers and keep their existing customer base (Hussain *et al.*, 2009; Imtiaz *et al.*, 2015). The telecommunication sector, specifically the mobile phone service industry, is growing at

a phenomenal rate and there is a tough competition among all market players, which has resulted in companies using various marketing communication tools (Rahman and Azhar, 2011). The growth in the services sector makes it an interesting market in which multinational firms may invest, as it offers enormous potential, but for ‘outsiders’ such as firms from Western developed countries, it is difficult to identify how to take advantage of the situation. Therefore, one of the intentions of this research is to provide findings that act as guidelines for foreign firms intending to enter the Pakistani market, particularly in the two sectors that are the focus of this study.

## **1.6 Classification of the Telecom and Banking Sectors**

Before conducting research on any industry, it is worth investigating its associations in the classification systems that are used globally and in regional contexts. An understanding of this association can provide useful insights into the importance of industries in a regional and an international context. When conducting marketing research, particularly in large firms such as multinational corporations (MNCs), it is a challenge for researchers to identify clearly the industry type and affiliate it with a relevant industry sector. It was found that in many large industries, this is an issue because a firm may be involved in several operations and have a number of subsidiaries and divisions (Almus and Nerlinger, 1999). For example, Microsoft is involved mainly in the software development industry, which lies in the service sector; however, additionally it develops hardware components, and so it is difficult to classify such diverse organisations. Countries across the globe have developed their own classification systems for different industry sectors. One such example is the North American Industry Classification System (NAICS), used in the USA, Canada and Mexico (NAICS, 2012), while another is the Australian and New Zealand Standard Industrial Classification (ANZSIC), developed and used by the Australian and New Zealand bureaus of statistics (ANZSIC, 2016). It is noteworthy that many countries follow the United Nations International System of Industrial Classification (ISIC) system (as discussed below) and have derived their regional classification systems as such.

### **1.6.1 United Nations International System of Industrial Classification (ISIC)**

The ISIC is the most prominent and comprehensive classification system, developed by the United Nations Statistical Division for classifying *economic data* in different

industrial sectors. To clarify the ambiguity in associating some industries' roles being diversified in both the goods and the services sectors, the ISIC classifies each one based on the principal activity that it carries out. Services are placed in the intermediate level in the aggregation table league, meaning that it is most important for economic development. In the ISIC, banking and telecoms are classified purely as 'service industries', based on their principal activity (ISIC report, 2015).

### **1.6.2 Pakistan Standard Industrial Classification System (PSIC)**

The PSIC is produced by the Pakistan Bureau of Statistics and is inspired by the principles and procedures used by the ISIC. The latest version was developed in 2010, and wherever there is ambiguity in affiliating specific industries to an individual sector, the rules set out by the ISIC are followed (PSIC report, 2010; 4). The categorisation of all industries depicts subdivisions within the overall economy, which can be then used in economic analysis. All the banking and telecom activities are purely classified as belonging to the service sector of the country (PSIC report, 2010; 173). The following discussion presents an overview of the banking and telecom service sectors in Pakistan.

## **1.7 Banking Sector in Pakistan**

According to the Pakistan Federal Bureau of Revenue (FBR), out of all of the financial services in the country, the banking industry sits at the core of the financial sector. It was privatised in the early 1990s, due to the poor performance of national banks (source: Pakistan Federal Bureau of Revenue Report, 2015), and this triggered foreign investment in the industry. The banking system in Pakistan is categorised in the following manner:

- State Bank of Pakistan
- Commercial banks
- Specialised banks
- Development finance institutions
- Microfinance banks

- Islamic banks

The State Bank of Pakistan is the governing body that sets monetary policy in the country. However, almost 80% of the assets are held by privatised commercial banks, making it a very competitive sector. These institutions have begun a programme of aggressive marketing, to increase their customer base. The industry operates with revenues worth Rs.4 trillion; however, only around 17% of the total population holds a bank account, which shows that there is still a huge market available (Pakistan Federal Bureau of Revenue Report, 2015).

The banks selected for this research are commercial and play a significant role in financing and enhancing the productivity of the economy. As a result of reforms and opening windows of opportunity for foreign commercial banks, the share of public sector entities has decreased significantly, thus making the industry even more competitive (Wang *et al.*, 2010).

Based on this fierce competition, there is a struggle to attract more customers, which is not helped by the fact that marketing financial services is a challenging task. To understand how banks deal with this challenge, this research reached out to the following, to gather qualitative data in terms of semi-structured interviews, observations and documentary evidence.

Table 1.1. Banks selected for this Research

Bank	Type of bank	Branches in the country
Askari Bank	Local/commercial	225
Summit Bank	Local/commercial	188
Khushali Bank	Local/commercial and microfinance	129

This selection was made based on their national presence in provinces and major cities. Furthermore, they represent the commercial banking sector and are the only commercial institutions that have their head offices based in the capital city Islamabad, which made it convenient for the researcher to establish contacts directly with the

banks and their affiliated marketing agencies. Lastly, their marketing agencies are also based in Islamabad, which adds to the convenience for data collection.

## 1.8 Telecom Sector in Pakistan

There are five telecom service providers in Pakistan, and the following table shows their basic information. All five companies were selected for this research. There was another multinational telecom service provider, called Warid, but recently, in November 2015, it was taken over by Mobilink (source: waridtel.com, 2016). Initially, it was decided that Warid would also be included in this research; however, since it was in the process of being merged into Mobilink, it was excluded.

Table 1.2. Telecom Service Providers in Pakistan

<b>Telecom Company</b>	<b>Origin and Type</b>	<b>Total Subscribers</b>	<b>Subscriber's Share</b>
<b>Telenor</b>	Norway-multinational	36 million as of 4 <sup>th</sup> Quarter of 2015	27.5 % as of 2014-15
<b>Mobilink</b>	Egypt-multinational	38.2 million as of 1 <sup>st</sup> Quarter of 2015	29.2 % as of 2014-15
<b>UFone</b>	UAE-multinational	24 million in 2015	15.5 % as of 2014-15
<b>PTCL</b>	Pakistan-national	3 million 7 hundred in 2015	8.4 % as of 2014-15
<b>Zong (China Mobile)</b>	China-multinational	25.6 million in 2015	19.4 % as of 2014-15

Source: PTA (Pakistan Telecommunication Authority, 2015)

Recognising the export potential of the service sector, specifically in the banking and telecom sectors, the Ministry of Commerce set up a National Steering Committee to devise a long-term strategy for improving the nation's export of services (source: Pakistan Ministry of Commerce, 2016). The share of the service sector has increased within the past few years, from 56.6 per cent of GDP in 2008-09 to 58.1 per cent in










2013-14, and now, in the fiscal year 2017, the share is 59.59 per cent. Specifically, the finance sector contributes 5.7 per cent in the service sector and its share in GDP is 3.37 per cent in the fiscal year 2017 (source: Pakistan Economic Survey, 2016-17).

Due to technological innovations and new marketing strategies implemented by marketers, banking has been linked with the telecoms industry in such a way that mobile banking is becoming very popular (Ahmad *et al.*, 2016), as customers can now pay utility bills and transfer money within the country via their mobile phone service operators. Marketers are trying to educate people about such features through print and information media, by using various communication channels. Due to this linkage between banking and telecom services, people without a bank account have started using these services through their mobile phone service providers, which has benefited both the banks and telecom service providers alike. As such, 192 million branchless banking (BB) transactions, worth Rs. 802 billion, were recorded in 2013 (Pakistan Economic Survey, 2013-14). Furthermore, a study on the success of branchless banking, by Rahman and Ahmad (2008), found that in Pakistan, online banking facilities are some of the most important factors in the selection of a bank by potential new customers, with the authors suggesting that these factors should be considered by marketers. The following section shows the overall marketing practices of banks and telecom service providers.

## **1.9 Marketing in the Banking and Telecom Sectors in Pakistan**

Marketing in the banking and telecom sectors is a growing trend. Overall, media advertising spending has been increasing over the last few years. The following table shows the percentage increase in overall advertising media spend for 2013-14, which additionally indicates a rise in the workload of marketing agencies affiliated with banking and telecom firms.

Table 1.3 Media Advertising Spend FY 13-14

Media	Rs (bn)	%share of total spend	%change from last F/Y
TV	22.97	60	6 
Print	8.34	22	7 
Outdoor	2.56	7	10 
DM/Misc.	2.28	6	10 
Radio	1.57	4	11 
Internet	0.60	1	11 
<b>Total</b>	<b>38.32</b>	<b>100</b>	<b>7</b> 

Source: Gallup Pakistan Survey (2014)

One of the key reasons for selecting banks and telecom firms in this research is because they belong to a highly competitive sector in Pakistan, and the proliferation of competing products and services means that they have to market new services, in order to survive. These firms have to deal with consumers on a direct and face-to-face basis in a competitive business environment, and they are expected to respond to the market efficiently and effectively. Finally, they have to deal with marketing agencies on a more regular basis compared to other sectors, based on their spending on different communication mediums (details are provided in the following discussion). More spending on marketing also indicates that these organisations are expected to develop and maintain collaborative relationships of some kind and obtain collaborative advantage with their marketing agencies.

In the telecom sector, due to the greater usage of broadband and wireless internet by users, this sector has become a highly competitive market. Telecom service providers run extensive marketing campaigns for different communications mediums in relation to data packages, with the expectation of attracting the maximum number of customers. Every mobile operator gives special attention to social media platforms for marketing, such as Facebook and Twitter (source: Pakistan Telecommunication Authority, 2017). Every year, the Pakistan's Advertisers Society (PAS) conducts research to establish facts and figures in terms of marketing and different spending

levels. According to the Pakistan Advertiser's Society (PAS) Media Report 2014-15, in terms of advertising on Facebook, is topped by the telecom sector (source: Pakistan Advertiser's Society, 2016). The social media-devoted category is dominated exclusively by the telecom sector. The top five brands in terms of engagement per 1,000 fans is a mixed bag, but again the telecom sector is at the top of the list, and it dominates the top five brands on Twitter. It is also among the top three industries using outdoor/billboard advertising, while for radio advertising, it is number two only to beverages. The PAS report highlights that telecom operators in Pakistan come up with their own marketing and pricing strategies, which are different to other competitors, in order to take a market lead. This shows that creativity in this sector is a key criterion for the selection of a marketing agency.

The number of television channels in Pakistan has increased tremendously since 2008 (Pakistan Electronic Media Regulatory Authority, 2016), which has pressurised advertisers into ensuring their presence not only on the increasing number of television channels, but also in print and billboard media (Ahmad and Mahmood, 2010). In terms of TV advertising, telecoms again spends the most (source: Pakistan Advertiser's Society, 2016), with print media advertising increasing for both banking and telecom over 2013-14 (Gallup Pakistan Survey, 2013-14), with the former dominating in this regard. In terms of the percentage spent on advertising, the banking sector is at the top of the list, too (source: Pakistan Advertiser's Society, 2016).

### **1.10 Challenges for Marketers in the Banking Sector of Pakistan**

Marketing practices in the banking sector can be complex, because the campaigns run for banks carry messages that are difficult to understand for consumers who are not particularly financially astute (Floh and Treiblmaier, 2006), in which case the marketer has to choose cleverly the appropriate strategy, which should include an appropriate agency and communication mediums that can deliver messages across target audiences of different ages, education levels and cultures (Estelami, 2012). Marketing in the banking sector could be very different in a geographical context, because marketing campaigns have localised knowledge about service offerings, and it may vary to a large degree from other countries (Miles, 2008). Such is the case with

Pakistan, where financial services are customised to suit consumers' needs. The case of Islamic banking is a classic example in this regard, in that its marketing is significantly different compared to what is on offer for traditional banking services (Hassan *et al.*, 2008) and would not work effectively in this different context (Kamarulzaman and Madun, 2013).

From the perspective of this research and its focus on the banking sector, the existing literature suggests that perceived risk is an important factor that marketers need to address in their planning and practices where high stakes are involved for customers, such as savings and monthly pay. Moreover, the recent financial crisis has added to the perceived risks seen by consumers (Phan and Ghantous 2013), and so effective marketing is one way in which brand trust could be built.

Marketing is more competitive than ever before, especially with the fragmented customer base in the country that makes the task for marketers more difficult (Rahman and Azhar, 2011). Banks share updated information about the value of interest rates and monetised commodities through various channels of communication, and if the information provided is not clearly communicated to consumers, it can confuse them (Miles, 2008). Therefore, a high level of professionalism is required for marketing such financial information. This professionalism could be considered as the use of appropriate marketing communication tools for specific sector firms (Ramsey *et al.*, 2003); for instance, internet commerce in the banking sector is found to provide 'competitive advantage' for banks (Ramsey *et al.*, 2003). In such a scenario, the existing literature suggests that where the marketing of complex financial information is communicated, direct marketing is found to be an effective tool whereby complex information is conveyed to customers on a personalised level, by customising the message effectively, depending on their level of understanding (Gabrielli and Balboni, 2010). Furthermore, from a technological and cost viewpoint, marketing over the internet is considered feasible (Floh and Treiblmaier, 2006), though issues such as the control of information are some of the major concerns in this regard (Miles, 2000).

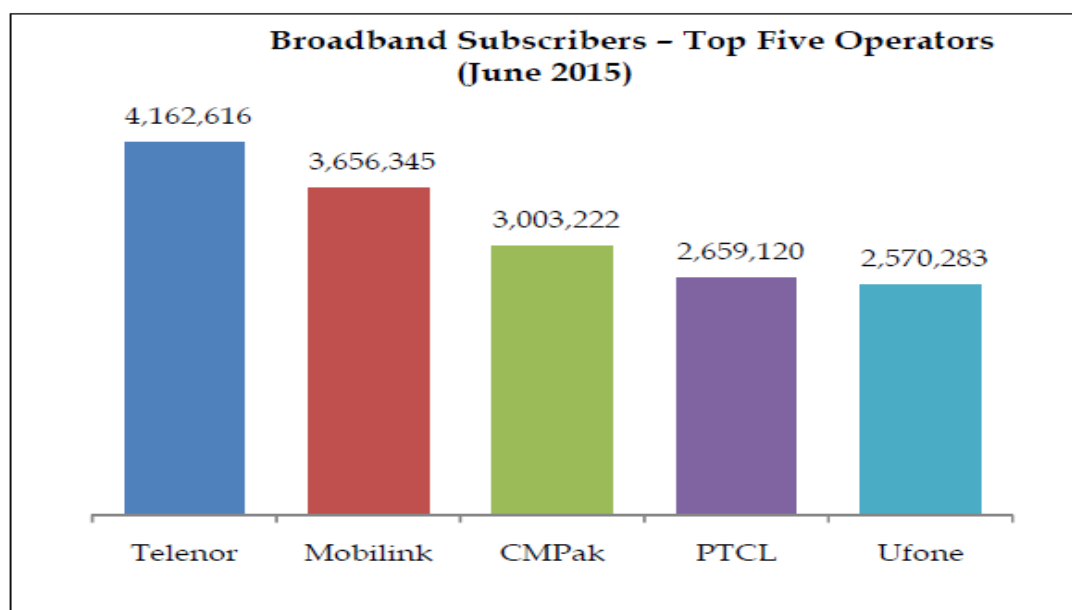
As this research focuses on the relationships between the banks and their marketing agencies, the literature suggests that a bank's image is also dependent on the long-term interactions it has with its customers (Berry, 2002). In the banking sector, it is

evident that image is very important for gaining customer trust, and this also depends on the way it manages its relationships with business partners (Phan and Ghantous, 2012; Ntale *et al.*, 2013) and, from the perspective of this research, affiliated marketing agencies. Therefore, it can be concluded that, specifically in the banking sector, B2B connections affect a bank's image.

### 1.11 Challenges for Marketers in the Telecom Sector of Pakistan

In telecoms, annual cellular mobile tele density as of Jan 2017 was 70% (source: Pakistan Telecommunication Authority PTA, 2017), and estimated annual revenues reached Rupees. 449.6 billion in the fiscal year 2014-15 (PTA, annual report, 2014-15). Technology is continuously changing the way the industry provides services to its clients, and these changing dynamics are reflected closely by trends in voice and data revenues. Due to the heavy influence of technology, new opportunities are opening up, such as revenues generated from data (internet) services, which earn more than voice services. This also means that marketing has to be focused on the marketing of data services. In the fiscal year 2009-10, data revenues were recorded at 25.6 % of total telecom revenues in Pakistan compared to 12.4% in 2008 (PTA, annual report, 2014-15). The following figure shows the number of broadband subscribers for the five companies selected for this research.

Table 1.4. Number of Broadband Subscribers in Pakistan



Source: Pakistan Telecommunication Authority (2015)

Just as in other types of businesses, production and consumption cannot be separated, so services cannot be withdrawn once launched, which makes the task of marketing and sales departments more challenging, because when the services fail to ensure the desired outcome/income, the marketing team is expected to improve the corporate image of the firm, since unlike in the production of goods, services cannot be called back once offered to consumers (Oldenboom and Abratt, 2000).

One reason why marketing is more challenging specifically in the banking and telecom sectors is that the services offered by companies in these industries are almost identical, for example interest rates and data and voice packages, respectively.

### **1.12 Marketing Agencies in Pakistan**

Every marketing agency in Pakistan has to register with the nationwide association of major Pakistani newspaper owners, called the All-Pakistan Newspaper Society (APNS). The industry comprises over 200 agencies (source: All Pakistan Newspapers Society, 2016), and the term 'advertising agency' is used for several types of marketing agencies, including PR, media and research-based agencies (Banerjee and Logan, 2008).

Rahman and Ahmad (2008) found that marketing in Pakistan's banking sector is effectively a matter of educating customers. A recent survey by Gallup (Pakistan) highlighted the effectiveness of marketing in the telecom and banking sectors, in that 64% of Pakistanis are well aware of the mobile money services recently being offered by telecoms companies through their partnership with banks (Gallup Pakistan Survey, 2013-14). More than 4 million money transfer transactions are conducted every month through a single network alone (source: Telenor Pakistan, 2016). Considering the literacy rate of Pakistan's population (57.9% in 2017) (source: The World Factbook, 2017), it indicates the effectiveness of marketing.

Imtiaz *et al.* (2015) propose that there are currently many untapped services that can be offered, such as mobile advertising, commerce (branchless banking), e-education, e-health and even services like agriculture for farmers and food production companies. Moreover, some of these services are already being offered by these sectors, i.e. BB

and mobile advertising, and the rest may well be offered in the near future, which will also require extensive marketing through services provided by the marketing agencies.

### **1.13 Threats to Local Marketing Agencies in Pakistan**

Banerjee and Logan (2008) found that some marketing agencies in Pakistan enjoy a monopoly; however, with every year that passes, more are entering the market from within the country and across borders, which ultimately means tougher competition. A recent article published on the Pakistan Advertising Society's (PAS) website, titled "Agencies across borders," raises some of the major concerns that marketing agencies face in Pakistan. Specifically, with the entry of Indian companies, some of the big brands in the country have shifted their strategies entirely to these new players, due to the vast resources and experience they have at their disposal. The article views this cross-border agency-client relationship as a threat to the local marketing economy (source: Pakistan Advertiser's Society, 2014).

Keeping this in mind, this research serves as a guideline to help and draw the attention of marketing agencies in Pakistan, to help maintain their relationships particularly with banking and telecom clients.

### **1.14 Chapter Summary**

This chapter has introduced this thesis by outlining the research question as well as the aim and objectives of this research. Furthermore, the rationale for conducting this research is presented, followed by a brief section explaining the methodology for data collection. The chapter has also given an overview of the country context and provided justification for selecting the Pakistani banking and telecom sectors. Considering the case of Pakistan as a developing country, this chapter has highlighted that the already established business concepts and marketing models that are presented in previous studies may not be applicable to a developing country, due to several differentiating factors from developed/Western countries. Additionally, it has presented some of the challenges that marketing agencies face in a developing country like Pakistan compared to Western countries, while the significance of the two sectors on the economy has been discussed, too. An overview of current marketing practices in the

telecom and banking industries is provided, which shows that these two sectors are the most influential in terms of marketing within the entire service industry. Hence, their relationships with their marketing agencies is critically important, especially due to the huge amount of money involved. This chapter has also introduced the companies selected for this research, along with the challenges that marketers face when dealing with such firms. The key contributions of this thesis are discussed in the following subsection.

### **1.15 Key Contributions of this Research**

One of the key theoretical contributions of this research is the agency-client relationship framework, which is developed based on the findings herein. This framework (presented in Chapter 5) shows the stages involved in the relationships between marketing agencies and their bank and telecoms clients.

Based on the analysis of primary data and the formation of subsequent conclusions, the outcomes of this research will benefit marketing departments (or marketing decision-makers) as well as marketing agencies as follows:

- The findings will help illustrate the decision-making process of clients when selecting appropriate marketing agencies, particularly within the context of Pakistan.
- This research will identify the key factors that influence B2B relationships between marketing agencies and clients in general, and particularly between the selected organisations from the service sector (i.e. banks and telecoms) and their marketing agencies. Identifying these key factors will help marketing agencies and clients strengthen their connection through different stages of their relationship.

The target beneficiaries of this research are academics and researchers that are interested in the B2B relationship marketing discipline, in the service sector and particularly in agency-client relationships. Furthermore, this research contributes to knowledge and the role of social exchange theory (SET) and social network theory (SNT) in B2B relationships. To this audience, this research provides a



foundation through which further research can be carried forward in the following ways:

- It provides a framework that shows the five stages of the association between marketing agencies and clients, and it also reflects on the role of various key determinants. Further research on service sector firms can be undertaken to validate the role and influence of various RM elements that have been identified in this research and are presented in the framework.
- Future studies may also investigate the influential role of SET and SNT in different service sector firms' B2B relationships, in order to validate/compare their perspectives.

Further discussion on the contributions of this research is presented in Chapter 5.

### **1.16 Structure of the Thesis**

This thesis is divided into five chapters, the details of which are as follows:

Chapter 1 presents an overview of the selected country and firms for this research, as discussed above. In addition, it develops the focus of this research and presents the rationale behind and justification for the selection of the service sector firms and their marketing agencies in Pakistan.

Chapter 2 presents a review of relevant previous literature, mainly emphasising three key areas. The first section provides an overview of services marketing discipline and further highlights the concept of service dominant logic (SDL), value creation and service exchange. As this research explores the relationships between marketing agencies and clients through a key marketing concept known as RM, following the discussions on the services marketing literature, the chapter draws literature from this area of RM and derives the key drivers in B2B relationships. The third strand of literature explores existing works on agency-client relationships. Additionally, two key theories within the domain of RM literature, namely social exchange theory (SET) and social network theory (SNT) are discussed in relevance to B2B relationships. Furthermore, the concept of social exchange, the role of the contract and agency theory are discussed. At the end of the chapter, based on a review of literature on RM and agency-client relationships, a theoretical conceptual framework is developed in

four stages. The key factors that are identified in the framework are subjective measures that work as a guideline in order to develop interview protocol and to conduct interviews with personnel from both parties (i.e. the agency and client) in the selected organisations. Chapter 2 of this thesis also highlights gaps in the existing literature, and based on these gaps, research objectives are formed and highlighted.

Chapter 3 presents the research methodology, with justifying the relevant philosophical position for conducting this research. Furthermore, the research approach and data collection procedure are discussed along with details about the research participants. It also discusses the development and application of the interview protocol.

Chapter 4 presents results based on the findings and analysis of this research. In this chapter, the themes that were extracted from the data are presented along with the initial themes taken from the review of the existing literature. In this way, new findings are highlighted that contribute to existing knowledge in the area of agency-client relationships.

Chapter 5 discusses the findings, examining particularly how they help achieve the research objectives. Finally, at the end of the chapter, overall conclusions are offered along with managerial implications and limitations of this study, and suggestions for future research.

## Chapter 2

### 2. Literature Review

This chapter presents a review of previous relevant literature in three key areas, namely services marketing, B2B relationship marketing and agency-client relationships. As this research focuses on the relationships of firms operating in the services sector, the first part of this chapter assesses existing literature on services marketing and highlights the key debates and arguments in this area, which helps determine and identify relationship marketing as an academic concept that is grounded in the foundations of services marketing. The second part of this chapter draws literature from RM, which helps to identify further the key elements in B2B relationships. As this research explores the relationships between marketing agencies and their clients, the third strand of literature reviews agency-client relationships. Summarising the literature on these key areas, a conceptual theoretical framework is developed at the end of the chapter that shows stages in agency-client relationships along with the main influencing factors in this regard.

#### 2.1 Services Marketing

Based on the economic contribution to any country, the two most important sectors can be identified as services and goods (Metcalf and Miles, 2012). The basic distinction between the two lies in the tangible nature of goods, which are typically the output of manufacturing or production activity, whereas services are intangible, heterogeneous, perishable and inseparable (Blomstermo *et al.*, 2006; Moeller, 2010). In addition to these two sectors, the agriculture sector is also seen as a vital contributor to the economy (Miles, 2008). Classifying different sectors that contribute to the growth of an economy is important in analysing economic activity within a country (Oke, 2007) as well as their individual performance, and subsequently it helps policymakers in taking steps to enhance the performance of weak contributors (Ekeledo and Sivakumar, 1998; Davidson *et al.*, 2002). However, in terms of the marketing of goods and services, academics in this field in the recent past have rejected the goods/services difference and posited a service-centred view wherein

providing service to consumers is considered the core marketing activity. Moreover, it is argued that (tangible) goods act as a distribution mechanism that ultimately provides a service to consumers (Vargo and Lusch, 2004; Gronroos, 2006; Skalen and Edvardsson, 2016). The importance for the entire marketing field that presents a service-centric view has become apparent in the recent past in the ongoing discussion about, for example, service dominant logic (SDL) (Le Meunier *et al.*, 2016; Luca *et al.*, 2016).

### **2.1.1 Service Dominant Logic (SDL)**

Based on their seminal work on SDL, Vargo and Lusch (2004) argued that marketing inherited a model of exchange from the discipline of economics which had a dominant logic based on tangible goods. The foundational premises of SDL reject the goods/service 'difference' arguments and instead suggest that a service has always been exchanged for a service (Lusch and Vargo, 2006). In other words, customers consume a service, regardless of whether or not they actually buy goods or services (Gronroos, 2008). Therefore, the concept of marketing that covers the service experience – derived from goods as well as services – becomes service-dominant, whereby service is exchanged for service and the exchange is no longer transactional (Ballantyne and Aitken, 2007).

Vargo and Lusch (2017) distinguish between the two terms 'service' and 'services', in that the former (i.e. service) is defined as a process of using one's resources for the benefit of another, and the latter (i.e. services) refers to a special type of (intangible) output. They argue further that at the heart of SDL is the identification of service, i.e. the application of resources for the benefit of others. Also, considering the focus of this research on B2B relationships, which from SDL's perspective is a process of using one's resources for the benefit of another, the following discussion addresses the key arguments that are presented in previous studies on the term 'service', which mainly addresses the issues of service exchange and value co-creation.

### 2.1.2 Service Exchange and Value Co-creation

According to Lusch and Vargo (2006), the service dominant logic conceptualises a 'service' as the application of 'skills and knowledge' (named as operant resources) and the fundamental unit of exchange between two or more parties. Additionally, the authors argue, service provision is fundamental to economic exchange, and through this service provision exchange, they mean the exchange of 'value'. However, this takes place when operant resources (i.e. skills and knowledge which the organisation and its employees hold) are exchanged between buyers and sellers, as they are considered the core of a firm's competitive advantage (Madhavaram and Hunt, 2008).

From the perspective of SDL, co-creation means creating something together in a process of direct interaction between two or more actors, where the actors' processes merge into one collaborative and dialogical process (Gronroos, 2008). Value is created when customers use goods and services, while goods derive their value through use, namely the service they provide (Vargo and Lusch, 2008). The firm, its customers and other stakeholders participate in creating value for customers, and so value co-creation is a joint process that involves, for example, a service provider and a customer, where the service provider's service (production) and the customer's consumption and value creation merge into one process of direct interaction. The firm remains the actor in charge of value creation; however, the customer takes part in the value co-creation process with the service provider, for example, by giving continuous feedback about the use of the service (Gronroos and Gummerus, 2014). Gronroos (2008) argued that adopting service logic makes it possible for firms to get involved with their customers' value-generating processes. In short, SDL represents a dynamic, continuing narrative of value co-creation through resource integration and service exchange between two or more parties (Gronroos, 2008). Furthermore, in the process of value co-creation, Vargo (2009) highlights the importance of business relationships (which is the focus of this research) and contends that relationships between a firm and its customers or suppliers are considered extremely important. The following section presents the main arguments and debates describing the role of relationship marketing as a foundational discipline in the services marketing domain.

### 2.1.3 The Embedded Foundational Principles of Relationship Marketing in Services Marketing

The existing literature suggests that the foundations of relationship marketing as an academic concept are grounded in the services marketing discipline (Ballantyne and Aitken, 2007; Vargo, 2009). The service dominant logic also emphasises and reinforces the perspective that a service-centred view must involve an exchange process, networks, interactions and relationships (Ballantyne and Aitken, 2007). It is claimed that SDL is based on a metaphorical view of value co-creation in which the firm and its customers engage with each other that leads to value co-creation. As these various business stakeholders engage with each other, they form relationships and such relationships become a source of a value (Howden and Pressey, 2008).

SDL supports the notion of relationship development, through which all kinds of communicative interactions and co-created value might emerge over time. In terms of value co-creation from the perspective of SDL, there is growing consensus on the definition of RM as involving a close, long-term relationship between various (business network) participants involved in exchanging something of value (Madhavaram *et al.*, 2014). Moreover, it is noted that following the approach of SDL, marketers need to shift their focus from point of sale selling to a relationship-building focus through which marketers can rearrange the resources that are available to them, to form strong relationships with various stakeholders (Ballantyne and Aitken, 2007). This notion is in line with Gronroos (2006), who contends that marketing concepts and practice have evolved such that marketing is not considered a strategy for only selling a product or a service, it also involves building strong and long-term relationships with all stakeholders that are directly or indirectly involved with the business. This approach of managing and maintaining the relationships of a business with various stakeholders is known as RM (Christopher *et al.*, 2013). From this perspective, it is considered significantly important to look into the discipline of RM, as it will provide relevant information on how B2B relationships are managed and the factors that influence them.

Kowalkowski (2010) supports the service-centric view (i.e. SDL) posited by Vargo and Lusch (2004; 2008) and notes that, with the evolving expectations and rising demands

of society, it is not enough for businesses to only sell their products – they need to provide customers with a complete service provision along with the goods, in order to keep them satisfied. In this context, service becomes the main purpose of managing relationships, and goods become the distribution mechanism that ultimately provides service to consumers. Stressing the need to maintain relationships with various stakeholders, SDL not only emphasises that this should occur between consumers and businesses that offer goods and services, but also this approach highlights challenges for managing B2B relationships. Furthermore, SDL asserts that the whole customer experience should be given value, in that the consumer ‘co-creates’ the value of the (service) offering in such a way that they provide continuous feedback in this regard. In this way, the consumer becomes an active participant in the service production process (Chathoth *et al.*, 2014).

From the perspective of B2B relationships, which is the focus of this research, the important roles of interactions and integration between businesses facilitate relationships (Prahalad and Ramaswamy, 2004; Payne *et al.*, 2008). When facing notions like interaction and integration (particularly in a B2B case), it becomes obvious that relationships play an important role within value creation and co-creation processes, which is a concept that is extensively highlighted in the existing literature on SDL (e.g. Vargo and Lusch, 2004). In this respect, managing strong relationships with involved consumers and various stakeholders becomes significantly important for any business (Baron *et al.*, 2014). The existing literature evaluates the ‘value’ that emerges in relationships between firms and customers (Ulaga and Eggert, 2005; 2006), which shows that this can be a fruitful way of creating value in a service-centric context. From the above discussion, it is evident that these relationships play a crucial part in the ‘value-generating processes’ of the service. By the joint activity of two or more business partners, and when service is exchanged, value is created and then co-created. However, the focus of this research is not on the ‘value’ aspect of relationships; instead, it rests on exploring the way B2B relationships are managed in the selected firms. More precisely, as discussed in Chapter 1, it establishes key elements and then creates a framework that best describes the relationship determinants at various stages of the agency-client relationship. Keeping in line with

the focus of this research, the following discussion reviews the literature on RM as well as the key determinants of B2B relationships.

## **2.2 Introduction to Relationship Marketing**

This section draws literature from the area of RM, summarises relationship marketing and then describes different approaches that distinguish B2B relationship marketing from other forms of marketing, for example B2C relationship marketing and customer relationship management (CRM), thereby setting out the scope of the literature review at the early stage of this research. The aim of this part of the literature review is to gain a deep understanding into B2B relationship formation, the challenges/problems faced in RM and the key components of successful relationships, thus learning how companies manage their relationships with other businesses.

### **2.2.1 Relationship Marketing (RM) – An Overview**

In the present business scenario, where there is a highly competitive market and the business environment is changing faster than ever, companies seek for stable and strong business relationships (Zaefarian *et al.*, 2017). With more dependence on technologically advanced mediums of communication, changes in organizational structures and market economies, academics have emphasized the need to develop more theories and concepts in the field of marketing that can address the challenges brought by fast changing business environment (Schultz *et al.*, 1994; Gronroos, 1994; Gummesson and Polese, 2009). Furthermore, there has been a growing recognition among marketing scholars that the focus of marketing should not only be on attracting new customers (Seth and Parvatiyar, 1995; Gummesson and Mele, 2010). But it should equally focus on keeping and sustaining existing business relationships (Eiriz and Wilson, 2006; Christopher *et al.*, 2013) because retaining existing business relations for a longer period is more economical and viable for firms rather than engaging in new relationships (Gronroos, 1996). As a result, we can see that the focus of marketing theory is shifting from ‘sales transactional marketing’ to the ‘relationship marketing’, where maintaining strong relations is considered as the core of marketing practice (e.g. Gummerus *et al.*, 2017). The main difference between these two approaches is that, in



the 'transactional marketing' approach, companies focus to achieve short-term sales targets by the means of marketing strategies, whereas in the 'relationship marketing' approach companies focus on developing long-term relationships with their buyers (Egan and Harker, 2005; Gummerus *et al.*, 2017).

The importance of relationship marketing has increased among the academic scholars where some argue that there is a paradigm shift from transactional marketing to relationship marketing (Gronroos, 1994; Palmer, 2002; Harker and Egan, 2006).

Filiatrault and Lapierre (1997; 214) define relationship marketing as;

*"Relationship marketing means nurturing and enriching relations with customers in a search for mutual benefits."*

The pioneering work on RM was started in 1976 by the IMP (Industrial Marketing and Purchasing) group. This group was composed of researchers from mainly across Europe. Their numerous publications focused on the area of business relationships and business networks (e.g. Gronroos, 1978; Ford *et al.*, 1998; Ford and Hakansson, 2006). They studied the complex business relationships between buyers and sellers and their research mainly focused on the interaction between businesses. They argued that business relationships cannot be understood as an independent interaction between a buyer and a seller, rather relationships are better understood when looked from a wider perspective (network approach). Companies not only manage their relationships with potential buyers, there is a need to maintain strong relationships with other parties such as suppliers, distributors and agencies. They further argued that business relationships evolve because of interaction between the companies and as the companies interact more with each other, it leads to the formation of strong relationships. However, as the size of a business network increases, it brings more challenges for companies to manage relationships (Hakansson, 2006; Liu *et al.*, 2017).

Thereafter, relationship marketing has evolved as a discipline of marketing that focuses on building strong relations. Contributors to this evolution were e.g. Webster (1992) who argued that in marketing *"the focus shifts from products and firms, as units of analysis to people, organizations, and the social processes that bind actors together in ongoing relationships"* (Webster, 1992; 10) and Ford *et al.* (2011), who argued that in the present business environment, no company can exist without relationships and

that every company needs strong business relations with their suppliers and business partners in order to sustain its presence. Moreover, due to its crucial role in strengthening business relationships, Gronroos (1994) argued that other paradigms of marketing such as industrial marketing, services marketing and customer relationship economics are supplemented by the relationship marketing discipline. These arguments highlight the importance of the relationship marketing approach, where the key to success is seen in maintaining existing relationships rather than switching to new relationships.

Apart from its theoretical significance, relationship marketing is highly relevant in the current business perspective where globalization has influenced companies to go across borders and form strategic alliances, partnerships and global networks (Christopher *et al.*, 2013; Samiee *et al.*, 2015). Such global collaborations necessitate the need for relationship marketing approach to support common interests and to form long-term business relationships.

Particularly in collaborative business networks where a company manages its relations with a number of business partners, businesses are generally keen to sustain and nurture their relationships for longer periods to reap maximum benefits. Typically, the main purpose of maintaining business relationships is to acquire economic benefit and by keeping strong inter and intra - business relations, companies look to take long-term financial gain from customers and other business partners (Ritter and Gemunden, 2003). However, the existing literature suggests that due to the dynamic business environment, changing needs of businesses, outsourcing to specialist organizations and more dependence on IT related tools, it has become difficult to keep relationships that are productive and long lasting (Wilson, 1995; Gadde and Snehota, 2000; Archer and Yuan, 2000; Zaefarian *et al.*, 2017).

Over the recent past, the various aspects of Business-to-Business (B2B) relationships have been studied in the existing literature. For example, Harker and Egan (2006) highlights the significance of B2B relationships and explain that companies should establish strong relations with non-customer groups (e.g. suppliers, partners and competitors) in order to indirectly establish relationships with their customers because such non-customer groups act as key intermediaries in establishing relations with the customers. However, business relationships are not formed in an instance and require

cooperation and acceptance from the involved parties. In addition, when two or more companies build a business relationship, then such companies become inter-dependant on one another, which can influence the way they conduct their business operations. Thereafter, it is argued that when these companies exchange activities and resources they create additional value by their joint productivity (Zajac and Olsen, 1993).

### **2.2.2 Focus of existing literature on Relationship Marketing**

To classify the previous literature, Das (2009) conducted a content analysis on relationship marketing literature from (1994-2006) and found that the highest share in the contribution of publication of RM literature was in the banking sector, indicating that research in this area in the banking sector has already gained attention from academics in the last two decades. It is worth pointing out here that the countries that have witnessed significant research activity on RM are mostly the developed countries such as UK and USA. This gap in the existing research has been highlighted by Das (2009) who points out that studies should also be undertaken in other countries to further test the external validity of the various conceptual and implementation models in the area of RM. To address this gap, this research investigates the nature, reasons, practices and issues concerning B2B relationships in a developing economy (Pakistan) while particularly focusing on two high-profile firms in terms of revenue generation and marketing spending in the services sector, namely banking and telecom sector.

The existing relationship marketing literature implicitly differentiates RM into three types (i.e. B2B relationship marketing, B2C relationship marketing and customer relationship management). These terms are used interchangeably to explain and examine the business relations with consumers, suppliers and business partners. However, differentiating among these three terms is essential to examine relevant literature and concepts. The following section highlights the key differences between these three approaches.

### 2.2.3 Separating B2B Relationship Marketing from B2C Relationship Marketing and Customer Relationship Management (CRM)

Relationship Marketing has gained importance in the last two decades and it is considered as a key business strategy in collaborative business networks (Aaboen *et al.*, 2017). However, the strategies for managing relationships with consumer/end-users are different from those for managing relationships with other businesses or non-customer groups. This research particularly focuses on the later i.e. it focuses on the B2B relationship marketing perspective where companies manage and maintain their relationships with the external partners, suppliers and other companies that are directly or indirectly linked/involved with the business (Christopher *et al.*, 2013). From existing literature on RM, Kolis and Jirinova (2014; 22) felt the need to differentiate B2B relationship marketing from B2C relationship marketing and therefore, they defined B2B relationship as:

*“the form of relationship with the company on the side of supplier and another business company on the customer side.”*

Based on their categorisation, the main difference between a B2B and B2C relationship can be identified by looking at the type of customer on the other side. In a B2B relationship, there is another business company on the customer side whereas, in a B2C relationship, there is an end user/consumer on the customer side. Based on the similar understanding, Egan and Harker (2005) argued that relationship marketing (RM) can be best used and more successful in a B2B scenario because the company maintains relations with a small number of customers and there is a huge transfer of money involved in such transactions. Thus, companies are more interested in developing strong and long-term B2B relationships.

#### 2.2.3.1 B2B Relationships

In B2B relationships, the decision-making process of firms differs from B2C relationships. Most of the traditional marketing channels such as TV advertising, sales promotion are not used in B2B relationship marketing approach because B2B purchasing decisions are less emotional and more task-oriented, whereas B2C relationships involves emotional attachment of consumers' with a particular product/service (Gummesson and Polese, 2009). The primary focus in B2B relationships is on relationship quality (Walter *et al.*, 2003) and creating value out of

the relationship (Ulaga and Eggert, 2006). The transactions in a B2B relationship are more relationship driven and the relationships are usually more complex as compared to B2C relationships (Egan and Harker, 2005).

Furthermore, due to globalization and low entry barriers for foreign firms, B2B relationship marketing has gained more importance because companies that are going international, require strong relations with their partners across borders to get access to their markets therefore, such B2B relationships maintain high value for any business that is going international (Rauyruen and Miller, 2007). In the literature, B2B relationships are also termed as buyer to seller (or vice versa) relationships e.g. (Ellram, 1991; Dabholkar *et al.*, 1994). There is a relational element in both B2B and B2C relationship marketing approaches such that the sole purpose of managing both types of relationships is to maintain long-term relationships with the involved parties and communication is the key to successfully manage these relationships (Gummesson, 2004).

#### **2.2.3.2 B2C Relationships**

In “*B2C relationship marketing*”, the company manages relationships with its existing and potential consumers or end users (Moller, 2013). In the existing literature, this term has been interchangeably associated with B2C relationship management or CRM (customer relationship management) e.g. (Moller, 2013). Kolis and Jirinova (2014; 23) define B2C relationship as the relationship where ‘*the businesses are on the supplier side and consumers on the other side*’. B2C relationship marketing approach emphasizes more on managing relationships with current and potential consumers. Kotler (1994) has identified the key differences between B2B and B2C markets such that in B2B markets there are; fewer and larger buyers, there is relatively inelastic demand, professional buyers and a closer relationship as compared to B2C relationships.

#### **2.2.3.3 CRM**

The third approach, “*CRM (customer relationship management)*” integrates and synthesizes business activities related to customer service, sales and marketing to customers (Gefen and Ridings, 2002). Some consider CRM as the subset of RM (Gummesson, 2004; Das, 2009; Agariya and Singh, 2011) because of the similarities of

both approaches that focuses on the individual buyer-seller relationships. While others argue that, the focus of CRM is transactional in nature rather than relational (Harker and Egan, 2005) therefore, CRM cannot be associated with the RM approach. Based on their analysis, (Harker and Egan, 2005) concluded that the term CRM is to some extent misleading because academics try to link it with RM approach, which focuses purely on the interaction process that takes place in business relationships. They argue that the focus of CRM is typically on the interactive communication between the seller and the consumer based on customer profiles and feedback. CRM is highly dependent on the use of technology through consumer database and direct marketing (Zeng *et al.*, 2003; Moller's, 2013). Further, Javalgi *et al.* (2006) described four main components of CRM: customer satisfaction, customer loyalty programs, customer retention programs and customer lifetime profitability and argued that these components are managed with the use of database marketing. With the help of these databases, companies can customize their offerings for customers and then can achieve high level of customer retention (Christopher *et al.*, 2013).

After distinguishing the B2B RM from other forms of business relationships, the following section explores that how business to business relationships develop and the key stages in the business relationship development.

#### **2.2.4 Business Relationship Development**

Like with any other relationship, business relationships develop and strengthen with the passage of time and mutual commitment by the involved parties (Cropanzano and Mitchell, 2005; Mitrega and Pfajfar, 2015). Companies evaluate the best predicted outcomes and benefits of the relationship and then they choose partners and build relations. Their predictions are based on their knowledge and previous experience while choosing a business partner (Lambe *et al.*, 2001). Marketing researchers have examined various relationship stages between businesses. There are several models and stages described in the existing literature (e.g. Ford, 1980; Heide, 1994; Ferreira *et al.*, 2014). However, the stages described in many studies are almost similar. For example, Andersen (2001) presents a four-stage model of relationship building process as follows:

- Pre-relationship stage

- Negotiation phase
- Relationship development phase
- The termination stage

This four-stage model is almost similar to the model described by Ford (1980) in an earlier study that presents a five-stage relationship development model to include 'The long-term stage' before the termination stage where at the fourth stage, the social distance between the parties minimizes and strong personal relations develop with the passage of time.

In general, in the existing research on relationship models and stages, most authors appear to agree that business relationship begins with the partner selection stage where the firm looks at the customer firm's experience and knowledge. The buyer and seller formally discuss business terms and conditions (Anderson, 1995). Sometimes firms engage with each other initially to see whether they can work for long time or not. Zajac and Olsen (1993) names this stage as the 'initializing stage'. Here, Filiatrault and Lapierre (1997) suggests that at the earliest stage, it is the most crucial for developing strong relations. In this stage, both firms evaluate their exchange procedures and alternatives. Then both parties evaluate the outcomes of the relationship at the end of each stage. At the end of each stage outcome, both parties decide whether to continue with the existing business relationship or they want to quit. The firms might broaden and strengthen their relationships or curtail it based on their evaluation after each stage.

The review of literature on the stages of business relationship development as discussed above will help in the formation of the conceptual model for this study by identifying the key stages of relationships between the marketing agencies and their clients.

### **2.2.5 Challenges in B2B Relationship Marketing**

After reviewing the existing literature on B2B RM and the stages in the business relationships, this section presents the challenges that are faced while managing B2B relationships.

Maintaining strong and long-term business relationships is a difficult task for any organization because relationships are not static and with the passage of time, the nature of business relations keeps changing (Nubisi and Nataraajan, 2016). Several factors influence on the nature of business relations, which makes it difficult to keep relationships over a longer period. For example, Podskoff *et al.* (2007) identify certain factors that can be challenging in managing B2B relationships. The presence of such factors makes the task of maintaining strong relationships a managerial challenge for organizations. The key factors as highlighted in the existing literature are; employee turnover, changing business needs and the economic factors. In addition to these factors, the existing literature highlights various other factors that bring more challenges particularly within the context of managing relationships in a B2B scenario. These factors are described as follows:

#### **2.2.5.1 Personal Relationships**

B2B relationships become stronger when the employees of both firms socially engage and interact with each other and build social bonds with the employees of other organizations. However, when the employees leave an organization, apart from their physical presence, they carry their personal relationships and social bonds and it becomes a challenge for both organizations to keep their relationships at the same level as before. Mainela (2007) categorise such relations as 'personal relationships' where individuals interact with each other on a personal level. Personal relationships act as a binding force between the two organizations' relationship. Personal relationships can be seen as a challenge for organizations because when an employee leaves an organization, the vacuum created by a leaving employee effects the relationship between the organizations.

#### **2.2.5.2 Weak Relationships**

When there are two or more partners (organizations) involved in providing service to the customers and the relationship between these business partners is not strong, there are more chances that their weak relationship will have an adverse effect on customer perception (Ritter, 2000). Whenever there are activities or resources that are shared between partners, there will be a positive or negative connection between them, which ultimately affects their relationships. In a competitive business environment, such as in the service sector, negative connections or weak relationships



not only influence the consumer behaviour but also may negatively affect relations with other stakeholders, including the employees of that business. Such that if there is a deficit of trust between the partners, the employees will not remain committed to their work and eventually the foundation of their relationship will become weak (Morgan and Hunt, 1994). However, with the transparency in the shared information between businesses where the information is shared from top to the bottom level and every employee is kept well informed, the internal relationships can be made strong (Moller and Halinen, 1999).

#### **2.2.5.3 Indirect Access**

Ford *et al.* (2011) highlights a somewhat hidden aspect of B2B relationships by concluding that business relationships can also become a burden and challenging in some scenarios where a company keeps relationships with another company to get access to a third company's resources indirectly. To elaborate, we can take an example of a Multinational firm expanding its business into another country. To get access to the local market's knowledge and resources, that firm might need to build relations with the local firms or government agencies. Sometimes, maintaining these relationships is costly to the foreign firm, but in the longer run, it is viable to build relationships with other companies that are not directly involved in with the business. The cost and effort associated with maintaining such relationships should be estimated in advance. This aspect of 'indirect access' relates to the challenges and problems faced by organizations while working in a business network (Ford *et al.*, 2011). This will be discussed in detail later in this chapter in the section on Social Network Theory.

#### **2.2.5.4 Self-Interest**

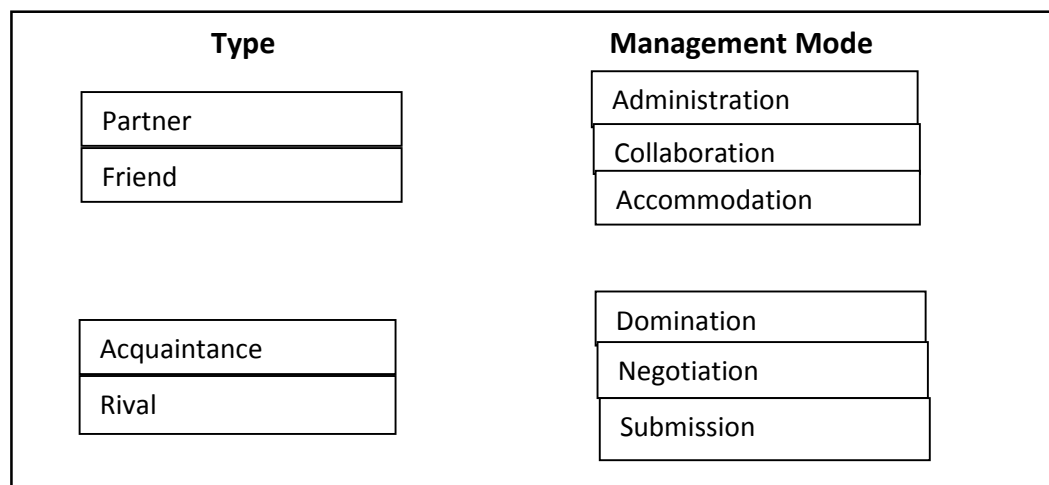
Another challenge in managing B2B relationships is that the businesses look at the problems in their relationship from their own perspective and ignore the perspective of others involved (i.e. external partners, suppliers and stakeholders) (Gadde and Snehota, 2000; Butler and Batt, 2014). Therefore, identification and solution of managing business relationships becomes even more difficult if the management does not properly understand it. In this respect, Gadde and Snehota (2000) explains that keeping long-term business relationship is more difficult due to the changing business environment, the solutions applied are also continuously changing, that ultimately affects the nature of business relations. However, Ford *et al.* (2011) attempts to

address this challenge and argues that through constant dialogue and interaction between business partners the relationships can be strengthened such that no ambiguity remains between the partners.

#### 2.2.5.5 Outsourcing

In B2B relationships, a key issue is to identify the type of business partner with whom a company wants to establish its relationship. A company does not only keep its relations with suppliers or agencies, it could also engage with several other institutions/businesses that deal with the company at any time. Such scenarios bring out a set of challenges for businesses such as the need to manage relations in a different way with every stakeholder, e.g. a business relationship with a rival is different as compared to a business relationship with a supplier. The following figure shows the types of business partners and mode of relationship management.

Figure 2.1 Mapping Model for Relationship Management



Source: Krapfel and Spekman (1991)

To illustrate the type of relationship and the management modes used by the businesses, Krapfel and Spekman (1991) presents a mapping model for relationship management. The model (as shown in figure 2.1) illustrates that the management mode of administration, collaboration and accommodation can be used when the relationship is with a partner or a friend. However, when the firm wants to have a

relationship with an acquaintance or rival then it will be of domination, negotiation or submission depending on the situation and business needs.

In retrospect, RM is a challenging task and particularly more challenging in the present business environment, where large organizations tend to outsource their several operations in order to optimize their business operations. While outsourcing, companies tend to give specific tasks to specialized firms that are experts in their field, to save resources and from indulging into technical complexities (Gadde and Snehota, 2000). For example, in the case of marketing and public relations agencies, large companies tend to give their tasks to specialist agencies (Low, 2000). In such cases, a strong and close business relationship is required so that both the client and agencies could cooperatively work together to create an effective advertising and public relations strategy. However, the specific reasons for outsourcing such tasks/operations to a marketing agency remains ambiguous in the existing literature in the context of banking and telecom service sector firms in Pakistan. In the context of this research, the first objective of this research is as follows:

- **Research Objective 1: To critically evaluate the rationale for banks and telecom company's engagement with the marketing agencies in Pakistan.**

The following section identifies the key determinants of successful business relationships as they have been highlighted in the previous studies.

#### **2.2.6 Key Determinants of Successful Business Relationships**

There are several determinants of a successful business relationships described in the RM literature. For example, Firdaus and Kanyan (2014) identified commitment, communication, trust and empathy. From an international business perspective, Conway and Swift (2000) identified trust, commitment, customer orientation, experience/satisfaction and communication as the key determinants for managing business relationships.

Although definitions and determinants of relationship marketing vary depending on the context of the study (e.g. Ulaga and Eggart, 2004) and based on the context of the study one can add or delete the components of successful business relationships (Wilson, 1995). One reason for the presence of various components in RM is because;

as discussed earlier that many studies did not differentiate between B2B and B2C RM and therefore generalize RM as a construct of both approaches. As discussed earlier, the focus of this research is on B2B relationship marketing therefore, the components of RM are explored that are important in a B2B case.

Some other components of RM are also important and identified in several studies. However, as the literature suggests, these constructs can be better understood if we look at the broader perspective and explore those components that can better represent RM practice. Such as, relationship quality and organizational structure are highlighted in some studies (e.g. Walter *et al.*, 2003; Huntley, 2006). On the other hand, such components can be considered complimentary e.g. relationship quality can be better conceptualized through the combination of commitment, trust and satisfaction because these three variables act as the antecedents for the relationship quality (Crosby *et al.*, 1990; Dorsch *et al.*, 1998; Ulaga and Eggert, 2006; Caceres and Paparoidamis, 2007). Therefore, this research mainly focuses on trust and commitment as key determinants of B2B RM. Trust and commitment are highly influential in B2B relationships (Plewa, 2009), and these components have received more attention than any other component in RM theory (Duncan and Moriarty, 1998; Martin *et al.*, 2004).

For defining key constructs of business relationships, Agariya and Singh (2011) used a content analysis on 456 papers and factor specific defining constructs of RM. However, they did not differentiate between B2B and B2C RM constructs and looked at RM from a wider perspective. They further highlighted the defining constructs of relationship marketing specifically catering to the banking sector. Among the identified defining constructs in general as well as the sector-specific defining constructs, trust, satisfaction, and commitment were in the top five on their list.

For this research, the selected key components of B2B RM are:

- Trust,
- Commitment,
- Satisfaction,
- Information Technology (IT),
- Communication (internal and external),

- Social Bonds, and
- Relationship Value

These components have been chosen because of these four reasons (1) have theoretical and empirical support from the existing literature on B2B relationship marketing, (2) are the key representative components of a successful B2B relationship identified in the literature, (3) have been utilized in leading marketing journals, and (4) have been consistently utilized in the literature on B2B relationship marketing. The following discussion will present the selected components/determinants of B2B RM in detail:

#### **2.2.6.1 Trust**

In terms of identifying contributing factors for nurturing long lasting and mutually beneficial business relationships, in several studies, trust and commitment are identified as focal constructs of relationship marketing (Huntley, 2006; Smyth and Edkins, 2007; Firdaus and Kanyan, 2014). Particularly in the services sector, trust is regarded as a fundamental construct to the development of successful business relationships (Eisingerich and Bell, 2007; Agariya and Singh, 2011; Houjeir and Brennan, 2017). When the buyers and sellers start trusting one another, then they become committed to each other. Therefore, trust is identified as a key determinant of commitment (Conway and Swift, 2000). In a B2B perspective, trust is defined as:

*“a belief, sentiment or an expectation about an exchange partner that results from the partner’s expertise, reliability and intentionality” (Ganesan, 1994; 3).*

Almost a similar view is described by Hunt *et al.* (2006), they relate trust with partner’s integrity, reliability and competence. One reason for short relationships between businesses is because one party thinks that the other will break the partnership when they will get a better opportunity. However, the risks of these types of opportunistic behaviours in business relationships can be diminished or removed if both parties have trust in each other (Ganesan, 1994). Furthermore, highlighting the significance of trust, Conway and Swift (2000) argued that trust has the potential to influence the development of two other major variables: customer orientation/empathy and experience/satisfaction.

Perrien *et al.* (1993) emphasizes that the key to managing relationships within an organization is in the decentralization of authority from top management to the bottom level of an organization structure. They suggest that organizations should set up a corporate culture that has a component of trust between employees and all employees in an organization should be committed to their specified tasks. Furthermore, Ulaga and Eggart (2004); Houjeir and Brennan (2017) found that trust is an important variable in stabilizing existing relationships.

In a B2B scenario, communication is very important for building trust among the exchange partners. The relationship between buyers and sellers is a set of different phases where trustworthiness of both parties is examined (Andersen, 2001). However, effective communication between businesses helps build trust by assisting in solving disputes between the partners (Sin *et al.*, 2002). Furthermore, Smyth and Edkins (2007) emphasized on four key variables for managing B2B relations and argued that business partners should have trust, expectation, hope and faith in each other however; trust is the prerequisite for all these determinants. This view is extended by Caceres and Paparoidamis (2007), they argued that strong and weak relationships exists in any organization, but quality of relationship is very important and they define quality as, the communication between employees that flows in its original form. They found that better relationship quality can be achieved when a relationship is based on greater trust that ultimately leads to B2B loyalty. The importance of various variables such as, integrity, reliability, competence and corporate culture is emphasised in the existing literature on RM however, for these variables trust is considered as the key determinant.

#### **2.2.6.2 Commitment**

In the existing RM literature, trust is paired with commitment with very few researchers discussing one without the other. For example, Morgan and Hunt (1994) developed the 'Commitment-Trust theory' in the area of RM and argued that successful relationship marketing requires both trust and commitment that leads to relationship cooperation. Relationship becomes stronger when both buyers and sellers have trust and are committed. Relationship commitment is about the desire of partners to work together (Lages *et al.*, 2008). Caceres and Paparoidamis (2007; 844) explain:

*“Relationship commitment exists when a partner believes the relationship is important enough to warrant maximum efforts at maintaining that relationship in the long term.”*

Maintaining a strong relationship requires combined effort from both partners and when the relationship is beneficial for partners then they become more committed. However, in B2B relationships, both partners (buyers-sellers) should be equally committed, which makes the foundation of strong relationships because each partner's capacity to provide positive outcomes to the other determines commitment to their relationship (Caceres and Padaroidamis, 2007). Both buyer and seller look to the future of their relationship. Perry *et al.* (2002; pg. 87) explained, *“Commitment is the intension to continue the relationship into the future”*.

Morgan and Hunt (1994); Zabkar and Brencic (2004) included trust and relationship commitment as a part of organizational culture and emphasized that organizational culture is an important aspect for effectively managing business relationships. They explained that integrating culture with the manifestation of values, trust, and commitment is a vital component in B2B relationships. Trust is a determinant that influences relationship commitment in such a way that, the more business partners trust each other, they will be more committed to their relationship (Morgan and Hunt, 1994). Furthermore, Huntley (2006) associated commitment with relationship quality and argued that the quality of relationship depends on the commitment of partners in the relationship. Furthermore, Perry *et al.* (2002) describes two types of commitment. The first type of commitment is ‘affective commitment’ which is the intention to continue the relationship because the partners are taking benefit out of their relationship. The second type is ‘calculative commitment’ in which the partners are bound to maintain a relationship even if they intend to end the relationship because of the costs involved in changing the partners.

#### **2.2.6.3 Satisfaction**

Satisfaction is found to be a key determinant of successful B2B relationships (Leonidou *et al.*, 2017; Nunan *et al.*, 2018). Satisfaction increases the buyer-seller intention of future relationship development (Robert *et al.*, 2003; Ulaga and Eggert, 2006). Satisfaction can be looked upon based on the previous interactions and if their past experiences are positive then there are more chances that the relationship will continue. Geyeskens *et al.* (1999) found that relationship satisfaction is a positive

emotional state of both buyers and suppliers while working with each other. Both parties evaluate their relationship and based on their evaluation, they decide the future of their relationship (Cannon and Perreault, 1999). This evaluation is mostly transaction based because the main perceived outcome of relationships is to get financial benefit (Molinari *et al.*, 2008).

Uлага and Eggert (2006) explain that the three key components of B2B relationship marketing are interlinked in such a way that:

*“Satisfaction with the supplier will only translate into commitment if the purchasing relationship is characterised by trust”*

(Uлага and Eggert, 2006; 322).

Therefore, it can be concluded that trust is the key determinant for satisfied buyer-seller relationships or in other words, trust leads to satisfaction. In addition to that, Mysen *et al.* (2011) argued that trust and commitment leads to satisfaction and satisfaction in turn leads to transaction cost outcomes. Caceres and Paparoidamis (2007) argue that the objective of RM is to achieve high levels of customer satisfaction however, this can be achieved when both the buyer and seller are satisfied with each other in their relationship (Uлага and Eggert, 2006). Furthermore, Caceres and Paparoidamis (2007) examined the relationship quality in B2B relationships and defined relationship satisfaction as the main determinant of relationship quality. They argued that if the buyers and sellers are satisfied with their relationship, then it positively reflects on the relationship quality. They suggested that the easiest way to measure the satisfaction between the buyers and sellers is to examine the length of the relationship. If the relationship stands over a longer period, this means that to some extent both parties are satisfied with each other.

#### **2.2.6.4 Information Technology (IT)**

In the modern digital environment, IT offers the necessary techniques and a platform for businesses to manage their relationships. The recent developments in information technology (IT) makes the likely contribution of applying and using communication strategies in the RM approach greater than ever before. In this competitive business environment, companies are more dependent on others that are technologically advanced (Harhoff *et al.*, 2014). For example, Google and EBay do not sell or buy directly from the customers but several companies need to keep business relationship



with these organizations to market and sell their products and services. In this case, companies that are more advanced technologically, take a dominating position in the relationship. Gummesson (2008) names this type of relationship 'E-relationship' where the sole purpose of developing relationship with other companies is to take advantage of their technological competence. Such companies are more dominating over others in terms of relationship status. E-commerce technologies can provide efficient ways for suppliers and buyers to gather information about consumers, goods and services and then both can facilitate each other (Archer and Yuan, 2000).

In terms of internal communication in a company, the use of IT enables employees to maintain and manage business relations efficiently (Ritter, 2000). On the other hand, Hakansson and Ford (2002) present an opposing view suggesting that the use of technology for facilitating inter-organization communications adversely affect building strong relationships within the organization because employees avoid making contact with each other directly and technology starts to acts as a medium of communication between them. Therefore, technology acts as a barrier in their social interaction and developing personal relationships which ultimately transforms into the development of social bonds. However, it is argued that IT can only replace personal relationships to a certain degree and personal relationships are still important for strong business relations within and outside the organization (Ritter and Walter, 2006).

Several authors appear to agree that the use of technology enables businesses to develop techniques that can help in making relationship marketing more effective (e.g. Ritter and Walter, 2006; Gummesson, 2008). Furthermore, direct marketing was not considered as a feasible option for marketers in the pre-internet era due to its limited reach and financial costs however, with the technological advancements and wide spread use of internet, there is a comeback of direct marketing in a more technologically advanced way where marketing is targeted at individuals rather than groups (Desti and Shanti, 2015). The recent example is of social media marketing which targets individuals rather than groups.

#### **2.2.6.5 Communication**

In the RM discipline, communication plays an essential role in providing an understanding of the business partner's intentions and capabilities, thus forming the basis for relationship development (Andersen, 2001; Blessley *et al*, 2018). As discussed

earlier, building trust is essential for strong business relations however, Morgan and Hunt (1994); Ybarra and Wiersema (1999) found that the quality of communication is positively related to trust in B2B relationships and regular interaction between employees establishes trust between them therefore, quality of communication can be considered a prerequisite for building trust among businesses (Andersen, 2001).

The existing literature highlights the role and importance of internal and external communication in managing business relationships. Although there seems to be no clear distinction made between the two types of communication, however in a B2B case where companies are required to communicate with their partners, it seems useful to draw a clear distinction between internal and external communication as discussed below.

#### **2.2.6.6 Internal Communication**

RM is an approach where decentralization of knowledge is practiced that starts from the top management to the lower level management. Similarly, communication must flow from top to the bottom in the hierarchal structure of an organization so that everyone in the organization remains well informed. The flow of communication from top to bottom facilitates interaction between employees and business partners (Archer and Yuan, 2000). Ritter (2000) argues that interdepartmental coordination is essential to maintain a strong relationship in a B2B context. However, Ritter (2000) further concludes that for managing interdepartmental coordination, communication must flow in its original form within the departments that are connected with each other. 'Original' form of communication means that the employees and staff members should get the same information, as compared to the top management. There should be a coordination between all the departments in an organization such that there is no communication gap between any department and its employees. Ritter (2000) suggests that the role of technology cannot be ignored while examining the communication in the firms where technology has helped to the information exchange structure in the organizations. He suggests that there should be a platform/communication medium such as company's website or an interactive board, where all the information is shared that provides the information to everyone in the organization.

The effectiveness of seamless communication is also highlighted by Hillebrand and Biemans (2003), they examined the link between internal coordination and management of external relationships. Their work concludes that maintaining strong relations with external partners require effective internal coordination within the organization. Internal coordination takes place between the employees and departments that reflects on the external relationships with partners. Ritter and Gemunden (2003) describes a similar view and suggests that for effective business relationship marketing, inter-organizational interaction is required, where departments and employees that are dependent on each other communicate and work together. If there is a cohesion in the departments then a business will be in a better position to manage relationships with external partners/ businesses. For making communication effective in an organization, it is important that specified roles are well defined for specific personnel and then measurable outcome is defined against each role. In such case, employees are clear about what is expected from them and they do not depend on other employees for their given tasks. Role specification also reduces the communication gap between the employees such as in B2B relationships when the employees of one company are well aware of their duties and specified role, they will be in a better position to communicate with their partners about their shared activities.

Ritter (1999) identifies two types of communication structures in the organizations i.e. formal communication structure that is developed and defined by the management and informal communication structure where employees interact with each other socially/informally. For the effectiveness of internal communication and in addition to technological mediums of communication, Ritter (1999) suggests that regular meetings should be held and information flow can also be facilitated through common rooms where employees interact and communicate with each other. In addition to that, personal relationships are another important factor in strengthening relationships, and the importance of these relationships cannot be ignored because such relationships offer informal communication channels in addition to the formal communication channels, that enriches the information exchange about the value expectations (Ritter and Walter, 2006; Ford *et al.*, 2011).

### 2.2.6.7 External Communication

In B2B relationships, external communication plays an important role in providing an understanding of the exchange partner's intentions and capabilities, thus forming the groundwork for building trust among exchange partners and it is important that communication channels between business partners are always kept open (FitzHugh and Douglas, 2016). Communication also increases the level of trust by assisting in solving disputes and aligning perceptions and expectations (Sin *et al.*, 2002). In a study on managing B2B relationships, Batt and Purchase (2004) suggested that effective communication can resolve many problems between businesses, such as uncertainty about partner's methods of operation or competence. They found that having regular meetings between the business partners is most useful for quality relationships that provides opportunities for both parties, enables coordination of activities, and ensures that the same rules and goals in the relationship are maintained. Furthermore, formal written contracts can also function as a means of indirect communication in B2B relationships such that these contracts forcefully communicate the rules of engagement during the relationship period (Roxenhall and Ghauri, 2004). Ndubisi (2007; 100) defines external communication:

*"keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs."*

Keeping in view the above definition, the same goes for the buyer-seller relationship in which a company requires to communicate from the start until the end of the relationship. Whereas, there is a need to be proactive when there are problems or issues arising between the partners.

The review of existing literature emphasises on the role of seamless communication in facilitating coordination of activities in inter and intra organizational activities to effectively manage the relationships. However, the communication policies, roles, responsibilities, and nature of activities may differ in different sectors specifically where employees of two organizations come from a different background and culture. For example, in the case of R & D organizations, where one department deals with the research and the other on the development. The employees in both departments have

different educational background or work experience and there exists a communication gap between the employees due to these differences. Moreover, understanding inter-organizational relationships in an organization is not easy specifically in the large companies that have several departments, informal alliances and ongoing employee turnover (Olkkonen *et al.*, 2000). These issues pose problems in the identification of relevant actors involved within the organizational relationships. Specifically, large organizations are inflexible in adopting to change and while working with external service providers, their approach towards B2B relationships is very inflexible (Ritter and Gemunder, 2003). It is suggested that to examine these relationships and communications issues, certain events and activities should be understood in their social, cultural and historical context.

#### **2.2.6.8 Social Bonds**

Bonds act as a binding force that compels the buyer and the seller to manage and maintain their relationship (Noor *et al.*, 2015). Bonds are a part of relationship infrastructure and key determinants for long-term B2B relationships (Makkonen and Vuori, 2014). Perry *et al.* (2002) classified bonds into two types based on their attributes i.e. social bonds and technical bonds. Social bonds are those, which are formed between the employees based on their social interaction. Perry *et al.* (2002) further argued that trust and commitment are the key determinants that strengthen the social bonds. Technical bonds are formed based on organizations' competence and investment. In general, the employees do not form these bonds willingly as there are financial resources involved in the relationships that keeps the employees together which ultimately leads to form technical bonds. Schakett *et al.* (2011) used the term 'economic bonds' to represent technical bonds more or less in a similar way and argued that technical/economic bonds are formed at the organizational level whereas, social bonds are formed at the individual level between buyers and sellers. In the RM literature, more attention is given to the role of social bonds (e.g. Makkonen and Vuori, 2014) because academics seems more interested in investigating the social behaviour of employees and its effects on relationships in a B2B case such that the key determinants of RM focus mainly on trust, commitment and satisfaction. These determinants represent the social construct within a business environment.

Scheff (1997) argued that social bonding between individuals leads to the emotional dimension of bonding that is called 'emotional bonding'. These emotional bonds create openness between employees thus creating more trust between them. Therefore, trust can be considered as an important determinant for creating emotional bonds. Emotional bonds are formed as a result of personal liking (Nicholson *et al.*, 2001). As individuals interact with others, based on common interests they start bonding with each other. This forms an emotional bond that is formed through an informal channel of communication (i.e. personal liking). Based on these emotional bonds people then start trusting others (Nicholson *et al.*, 2001).

In a B2B case, Schakett *et al.* (2011; 271) describe social bonding as;

*"the depth of personal attachment, willingness to seek personal advice, and outside business socializing that occurs between the buyer's key contact employee and the seller's key contact employee."*

By examining the above definition, it can be assumed that it is the social exchange between partners that forms social bonds between them. Moreover, social bonds are formed by in an informal manner and by the intension of engaging with each other. A study on social bonds revealed that social bonds positively influence openness of communication between the employees (Cater, 2007). Therefore, whether the employees communicate formally or informally (socially), their communication positively affects their bonding with each other. However, social bonds can become weak or strong due to the nature of personal contact of employees and exchange between businesses (Schakett *et al.*, 2011). It is suggested that a possible way to strengthen the bonding of employees is to give them financial incentives if alternate choices are not available (Schakett *et al.*, 2011).

#### **2.2.6.9 Value**

In B2B RM literature, the concept of 'value' has received much attention as seen in Gummesson (2004); Dubois *et al.* (2005); Moller (2013), particularly in a B2B case (Eggert *et al.*, 2006; Ulaga and Eggert, 2006; Molinari *et al.*, 2008; Molina *et al.*, 2015). While evaluating a relationship, it is vital to have an understanding about how value can be estimated in a B2B relationship. It is argued that Relationship Marketing is a value exchange process (Christopher *et al.*, 2013), where the primary objective of

forming a relationship is to create more value to what the company is selling to its customers (Ravald and Gronroos, 1996).

Value creation is a source of competitive advantage for the company as well as a fundamental determinant of the continuity of business relationships. The value associated with the relationship can be of different types, e.g. in a B2B relationship, both buyer and seller give value to the outcome and what they get from their partner. On the other hand, they (buyer and seller) give value to what they have offered to each other (Crosby *et al.*, 2002). However, Crosby *et al.* (2002) suggest that the actual value can be perceived when the partners understand that what their consumers value the most. Eggert *et al.* (2016) explains that it usually takes time for both buyers and sellers to gain some experience before they create full value potential of their relationships because due to their frequent interaction and understanding each other's way of work, they can better manage their relationship. Molina *et al.* (2015) suggests that relationship value is a strong antecedent of buyer satisfaction with the main supplier. In business relationships, some might give value to the output such as lower cost pricing and operating costs, others might give value to the knowledge and market access gained with the partnership (Wilson 1995).

Companies need to understand the concept of value in their own perspective as much as their relationship partner does. When forming a business relationship, companies should know which relationships are more valuable and they should find the relationship partner who has the matching value expectations. It is suggested that if the relationship is not bearing any value for both firms and the consumers then in this case, the termination of a relationship is considered valuable (Morgan and Hunt, 1994) and companies should find other suitable partner.

### **2.2.7 Discussion on the Key Determinants of B2B Relationships**

In summary, the above selected components represent the key determinants on which a successful B2B relationship can be established based on the criteria as discussed above. Researchers appear to agree that managing B2B relationships, specifically in large organizations is a much more complex and challenging task for both buyers and sellers. The literature highlights that there should be an element of trust between employees that can be achieved by effective communication. Despite the use of

technological enhanced ways of communications, the informal ways of communications and developing personal relationships are also important factors that can strengthen business relationships. Summarizing the Section of Literature Review on Relationship Marketing

This section of Chapter 2 has reviewed the literature on Relationship Marketing (RM). This has helped to focus and narrow down the scope of literature to B2B RM, which is the focus of this research. Separating B2B RM from B2C RM and CRM has also helped in exploring the four key stages in B2B relationships. This chapter has also identified the key determinants of successful B2B relationships. The identification of these key B2B relationship determinants is critical at this stage as later in this research, these determinants will be analysed based on their relevance with the B2B RM practices in the selected service sector firms.

In summary, this section has discussed the following topics:

- Differences between B2B, B2C and CRM relationships are discussed.
- While focusing on B2B relationships, the key factors that influence the relationships are highlighted as:
  - Trust
  - Commitment
  - Satisfaction
  - Information Technology (IT)
  - Communication (external and internal)
  - Social bonds
  - Relationship value

As the focus of this research is on exploring B2B relationships particularly between the marketing agencies and clients, the next section, will explore the agency-client relationships. The next section will present a discussion on the key elements in the agency-client relationships, the types of marketing agencies and the role of agency network and the process of social exchange in the relationships between the marketing agencies and clients.



### 2.3 Agency-Client Relationship

In the present competitive business environment, marketing is considered as the core of business practice to success (Struweg, 2014). Companies spend huge amount of money on their marketing campaigns to inform and persuade consumers to buy their products and services. With the advancement in technology and more usage of different mediums of communication, it has become a necessity for companies to market their products and services by utilizing different communication mediums such as Internet, social media, TV and other media channels in order to reach to the potential consumers. Nowadays, marketing communications is not limited to the traditional use of TV and billboard advertisement. Several other communication platforms have emerged such as social media and wireless communication mediums that provide opportunities for companies to market their products and services more efficiently that could be more effective than the traditional mediums. By providing multi-channel communication and marketing means such as the use of social media, marketing agencies offer specialised marketing expertise to companies (Bulearca and Bulearca, 2010).

The focus of this research is on the marketing agencies therefore it is important to explain the description of an agency, the different types of marketing agencies and their roles. Lindeman (2004) describe an agency as a business or an organization that provides service on behalf of another business. An agency is a service provider that is empowered by a principal (client) to perform or carry out an agreed service. Webb (2015) describes that a marketing agency is a company that specializes in informing and bringing the products and services of their clients in the market using the most effective and efficient means that are available.

Marketing agencies differ in terms of the range and type of services they provide. For example, marketing agency may also provide services for advertising research, creative work, social media marketing or direct marketing (Webb, 2015). In other case, a marketing agency may only provide services on a concentrated part of advertising such as TV advertisement. In such cases, either the clients rely on their in-house marketing team or they hire another agency that can provide them other affiliated marketing services such as marketing research and other advertising media coverage (Pickton and

Broderick, 2005). Low (2000) argues that large companies typically hire the services of external marketing agencies to plan and implement their marketing campaigns based on their expertise in covering different segments of communication mediums. Such agencies have expertise in dealing with different marketing communication mix elements and different media channels such as traditional media and social media. In this manner companies save time and money as it is more beneficial for them to hire marketing agencies. However, management of relationships between agency and client is crucial for the success of marketing campaigns (Caemmerer, 2009).

The agency-client relationship is a typical B2B relationship where agencies are classified as the service provider and client is the buyer/consumer of that service. As the relationship marketing literature suggests, generally companies from various sectors are in need of business partners to maximize the business output and achieve higher returns (Christopher *et al.*, 2013). Similarly, companies need the services of professional marketing agencies that can provide them with positive results in terms of effective marketing campaigns and higher return on investment. The following section describes the role of marketing agencies in the planning and implementation of marketing activities.

### **2.3.1 The Role of Marketing Agencies**

The role of marketing agencies has gained paramount importance in the success of any business. Companies have limited resources and expertise therefore, every company cannot survive in isolation (Ford, 2002). For that reason, in terms of marketing planning and implementation, companies tend to hire marketing agencies that can provide services in respective specialist areas. Swart and Kinnie (2007) argued that marketing agencies have the competitive advantage over the client's firms due to their ability to adapt and learn quickly to the market situation and new developments in the marketing discipline. One of the key reasons why companies (clients) hire the services of marketing agencies is that they are able to be released to focus more on their primary functions such as manufacturing and service provision. By giving their marketing communications tasks to external marketing agencies, it is expected that the results will be more favourable for clients because the core competencies of marketing agencies lies in devising and implementing marketing communications. In this respect, marketing agencies are considered to be more efficient because of their

expertise and their focus on primary business function in the marketing of products and services (Backwith, 2007).

In the case of marketing agencies where creativity is the benchmark for successful marketing plan, Halinen (1997) notes that the client delegates some decision-making authority to the agency specifically, the creativity and planning for marketing the products/services is mutually shared. However, the autonomy allowed by the client to the agency varies in different relationships. The resulting relationship forms the basis of investigation in various sectors and industries. As with other B2B relationships, managing agency-client relationship is a complex task and requires considerable attention and commitment from both parties to keep the relationship strong and effective. For example, Triki *et al.* (2007) explains that agency-client relationship is a complex structure because of the interdependency of both parties. Therefore, to investigate the relationship, behavioural factors should be examined. Many behavioural factors may influence the agency-client relationships such as, differing norms and practices of clients compared to those of its agency, therefore; this leads to a gap that can exist in the communication and coordination between the two parties (Lichtenthal and Shani, 2000). Exploring and addressing some of the complexities in managing agency-client relationship requires special attention on various factors e.g. the legal and social contract between the two parties (Triki *et al.*, 2007).

In the case of agency-client relationship, Halinen (1997; 45) defines the following prerequisites for starting the relationship:

1. Complementary needs and resources between the agency and client.
2. Having knowledge about the goals, needs and resources of the other party.
3. Both parties having a common interest in building and managing a relationship with mutual coordination.

Kitchen (1999) suggested that for reducing the chances of failure of relationship between the agency and its client, special care should be taken over the selection process of agency. For a client, the decision to engage in a relationship with an agency starts with the need to recognize and hire the services of an agency. The client has the knowledge of its own resources and weaknesses. To overcome its weakness, the client first acquires the knowledge about the agency's resources and examines how they

might complement its needs. Such resources can be considered as the employees, their experience and expertise of the agency in a particular business area (Smilansky, 2017). An agency works on the basis of an assignment assigned by the client in which the client also delegates some decision-making authority to the agency. An agency may even get involved in the strategic decision making and other business processes. However, it is argued that the activities undertaken and autonomy allowed to the agency may vary from one relationship to another (Beverland *et al.*, 2007).

The following section aims to build an understanding of agency-client relationship and analysing its dynamics in the light of existing literature. The existing research on agency-client relationship can be classified into three categories:

1. The criteria in the marketing agency selection process
2. The factors fostering the continuity of agency-client relationship
3. The forces prompting the breakup of agency-client relationship

### **2.3.2 Agency Selection**

Managing relationships between the agency and client is a complex task and it starts with the *selection process* by the client, where the selected agency works as a service provider for the client (Dahlstrom and Ingram, 2003; Fam and Waller, 2008). The selection of appropriate agency is the most important step that determines many other facets of the relationship. Considering the selection process of marketing agencies, Koslow *et al.* (2006) explains that the factors that the clients valued the most in the past, have now changed such that in the past, the most competitive tools for marketing agencies to attract the clients was the competitive price, their reputation and the profiles of agency personnel. However, in the present business scenario, the agencies are judged and hired based on their market knowledge about the client's product/services and their creativity. Now companies, when hiring services from the agencies, are basically purchasing knowledge and creativity that is embedded in the agency's profile. Therefore, more weight is given to the agency that is more creative and knowledgeable in the client's sector and if the agency does not have these qualities then no matter how cheap the services are from the rest of agencies, the client will not be interested in hiring that agency (White, 2003; Koslow *et al.*, 2006;

Beverland *et al.*, 2007; Halinen, 2012). Therefore, from the review of existing literature it can be concluded that price is not a key determinant of agency selection as compared to the knowledge and creativity of the agency. The existing literature suggests that while selecting a marketing agency, there are two main options available to the clients as discussed below:

### **2.3.2.1 Selection between Full-service and Specialist Marketing Agencies**

The selection to hire a marketing agency can also be made between hiring a particular type of agency. Marketing agencies can be mainly classified into two categories depending on the services they provide i.e. 'full-service marketing agencies' and 'specialist marketing agencies' (Dimitrova and Mackay, 2017). The clients can choose among these two type of agencies based on their personal goals and marketing plan. The agencies that provide service in a single marketing communication discipline are called *specialist agencies* such as; Advertising agencies, PR agencies, Digital/Online marketing agencies, marketing research agencies and direct marketing agencies (Halinen, 1997; Pratt, 2006). However, among the specialist marketing agencies, the advertising agencies are considered the dominant market players as compared to other type of marketing agencies because the primary focus of many businesses is on the advertising of their product/brand (Fam and Waller, 2008). That could be the reason that there is comparatively more research on advertising agencies in the existing literature as compared to other types of marketing agencies.

On the other hand, full-service marketing agencies handle the overall marketing and branding services for their clients. Full-service marketing agencies have the expertise in the broad area of marketing communication elements and therefore, clients hire them to provide services for their overall marketing campaigns. However, Pickton and Broderick (2005) argued that full-service marketing agencies claim to offer services in all the aspect of marketing communications but typically, they do so by being a part of a larger network of other agencies where they hire the services of other external marketing agencies. If this is the case, we can say that when the client hires a full-service marketing agency, indirectly it is becoming a part of a larger network of relationships with other external marketing agencies.

Horsky (2006) explains that hiring the services from a full-service marketing agency depends on the circumstances under which the company (client) is operating. The

clients may choose to perform certain marketing tasks by themselves by setting up an 'in-house' marketing department and may hire external specialist agencies for dealing with other marketing communications. Alternatively, the companies that do not have in-house marketing departments, hire the services of full-services marketing agencies. Pickton and Broderick (2005; 333) explained the key difference between the management issues in dealing with 'in-house' departments, 'specialist marketing agencies' and 'full-service' marketing agencies as shown below:

Table 2.1 Marketing Communications Management Options

<b>Management Issues</b>	<b>In-house</b>	<b>Specialist</b>	<b>Full service</b>
<b>View point</b>	Understand your own problems. Views may be limited not objective	Objective viewpoint, fresh ideas	Objective viewpoint, fresh ideas
<b>Media solution neutrality strength</b>	Unlikely to be any bias toward particular discipline	You decide disciplines to be used	Tend to be partial to agency's original e.g. advertising
<b>Knowledge &amp; expertise</b>	Limited to internal resources. Unlikely to have specialists in all areas	Experts in their field. You can pick specialists in each area	May lack expertise in all areas
<b>Management &amp; control</b>	Total control but increased pressure of work load	Needs careful coordination and control and careful briefing	Easier to manage a one stop shop
<b>Confidentiality/Security</b>	Low risk as all in house	Higher risk if a number of agencies working on a account	Minimal risk as only one agency briefed
<b>Speed-Timing</b>	Should be faster	Can be slow due to coordination	May be faster
<b>Cost</b>	Maybe cheaper although do not benefit from buying power in certain areas	Fewer overheads. Are able to shop around	Can be expensive to use

Source: Pickton and Broderick (2005)

By hiring specialist marketing agencies that have expertise in the specific area of marketing, marketing campaigns can lead to higher costs for the client, because the client may need to hire more than one agency that specialises in a particular area of marketing, further the client may need to deal with multi-party relationships that are more complicated (McLaughlin, 1997). However, full-service offering are more complex than individual purchases from specialist agencies (Stermersch *et al.*, 2001). On the positive side, hiring specialist marketing agencies that have a powerful creative spark in their specific area of marketing could deliver better results as compared to full-service marketing agencies. One downside of selecting full-service marketing

agencies is that, it is risky to select one full-service marketing agency that provides services in all marketing communication disciplines where the actual objective might not be achieved due to the lack of focus on one particular communication discipline. Thus, the motives and practices involving multi-agency relationships can variably differ than single agency relationship. For example, the agency selection process may not only be about the type of agency but availability of capital to clients is another factor that affects the extent of agency services used (Fam and Waller, 2008).

Cathey and Schumann (1996) highlights the reasons where clients hire multiple agencies and argues that in such cases the client's firm has a decentralized and fragmented organizational structure that requires integration. Therefore, the firm allocates different marketing tasks to several marketing agencies. However, in this case it is argued that the information flow is delayed and integration would not be smooth. Therefore, the management of relationships will be more complex. From the agency's perspective, Delener (1996) suggests that the specialist agencies should develop a full-service philosophy where an agency can manage the whole of communication mix elements. This would lead to better integration and it would strengthen the relationship between the agency and client. However, this argument of developing a full-service philosophy is not well supported in the literature because developing a full-service agency generally requires more resources and expertise than a specialist agency (e.g. Pickton and Broderick, 2005).

#### **2.3.2.2 Other key factors in the agency selection criteria**

In terms of selecting an appropriate marketing agency, Henke (1995); Palihawadana and Barnes (2005) argued that the clients generally look for factors that are related to the past performance of marketing agencies, specifically their creativity. The past performance includes the projects that they have completed and the quality of work they have done before. Research identifies that an agency's creative skill has a significant influence on the advertiser's selection decision (Turnbull and Wheeler, 2016). Furthermore, Grant and Mcleod (2007) conclude with a similar finding that when selecting a marketing agency, the client or organizations look at strong creativity skills, knowledge and previous experience in the client's market.

Duhan and Sandvik (2009) highlight the importance of quality and creativity and illustrate that clients are generally not willing to make compromises on the quality and

creativity of their marketing campaigns. Even if the price is increased by the agency, they are willing to work with the agency that provides them high quality and creative work. Furthermore, Gulsoy (2012) concludes that the agency-client relationship is a strategic partnership that has a significant impact on the performance of the client in the market and the successful relationship between agency-client may lead to stability of income, higher profit margin and prestige for the client. Therefore, in the longer run, high price charged by the marketing agencies, does not have significant effects on the decision by the client to hire its services.

Triki *et al.* (2007) argue that the agency-client relationship is an interactive process between the two parties and the success of the relationship depends on three components of the relationships that are:

- **Performance of the agency:** As discussed earlier in the light of previous literature, the previous performance of the agency is the key criteria that clients take into consideration, while deciding to establish a relationship.
- **Internal policies of the client:** Apart from the past performance of the agency, the internal policies of the client are another crucial factor that influences the selection and working relationship with the agencies. The internal policy is subject to the requirements of the client while hiring the agency. The client decides which type of agency they want to hire based on their needs and resources.
- **Interpersonal factors:** The interpersonal factors are of equal importance for the success of the relationship such as the employees' trust and commitment to the relationship. These interpersonal factors play an important role in the success of their relationship.

The existing literature on agency-client relationships presents various factors and criteria adopted by firms for the selection of a marketing agency. As presented in the above discussion, selection of a marketing agency is one of the key factors that determines the success of relationship between the client and its marketing agency. However, the existing literature fails to identify the specific selection criteria of firms that belong from specific sectors such as, banking and telecom sector firms within the context of Pakistan. Therefore, one of the objectives (research objective 2) of this



research helps to identify the criteria adopted by the selected firms in the selection of a marketing agency.

- **Research Objective 2: To identify the criteria adopted by the banks and telecom companies when selecting marketing agencies in Pakistan.**

After the agency selection process, the next important step is to manage and maintain the relationship with the agencies so that maximum benefit can be taken. As Triki *et al.* (2007) explains that instead of considering the selection of most suitable agency for the specified task, it is of equal importance to manage the relationship with the agencies. To avoid the breakup and conflicts in the agency-client relationship, the selection of a good partner does not mean or guarantee that the relationship will be successful. To explain this in a simple way, Turnbull (2016) relates the selection of appropriate agency by comparing agency selection with a marriage. In a marriage, despite selecting the most suitable partner, it sometimes does not work for both partners and ultimately, they breakup their relationship if they do not understand each other well and do not resolve the problems/disputes that arise in their marriage. A successful relationship involves mutual understanding and cooperation. Similarly, the selection of the appropriate agency does not guarantee a successful and beneficial relationship unless both parties mutually work together to strengthen their relationship.

#### **2.3.2.3 Social Exchange in the Agency-Client Relationship**

To understand the working relationship between the marketing agencies and their clients, it is important to explore the social exchange process between them. The social exchange process between marketing agencies and clients is a typical example of B2B relationship marketing where the clients and agencies work together and maintain a business relationship for their benefits. Marketing agency's role as communication professionals primarily focuses on the co-production of material with the directions provided by their clients and therefore, they involve in a social contract within a process of information exchange (Triki *et al.*, 2007). The exploration of agency-client relationship in the existing literature reflects the notion of social exchange (e.g. Durkin and Lowler, 2001)

The following section explores the key determinants for managing successful relationships in the agency-client perspective. Previous section that focused on the Relationship Marketing (RM) has explored the key determinants of B2B relationships. However, in the following section, the aim is to get an understanding about the key determinants that have influential role particularly in the agency-client relationships. This will also help in investigating the agency-client relationships in the selected firms for this research and also for development of the conceptual theoretical framework. The following section also elaborates the relevant success and failure determinants in the agency-client relationships.

#### **2.3.2.4 The Factors Fostering the Continuity of Agency-Client Relationships**

Beard (1996) investigates the relationship of clients and marketing agencies from a perspective of marketing agency as a 'service provider' and argues that as long as both are in regular contact with each other and the client constantly provides input to the marketing agency, marketing communications become more effective. Hence, emphasizing that communication flow between both parties is crucial for effective relationship building. In this respect, this section explores the factors that influence the social exchange process and the factors that foster the continuity of agency-client relationships.

#### **2.3.2.5 Social Exchange between the Employees**

Agency-client relationships develop with more frequent interaction between the two parties. Both interact verbally (direct communication) and through other in-direct forms of exchange such as when making purchases, deliveries and payments. The concept of the exchange process refers to individual assignments executed in agency-client relationship. According to Halinen (1997), exchange involves four types of elements: product or services exchange, information exchange, financial exchange and social exchange. However, social exchange and role socialization are the primary coordination mechanism between the agencies and clients, where the employees interact with each other to form a marketing communications strategy that is effective (Beard, 1996).

Due to the evolving relational infrastructure in the agency-client relationship, Halinen (1997) explains that social exchange between the employees of agency and client

involves episodes of exchange. To describe the process of social exchange, interaction process and interaction style are discussed that illustrate the flow and type of exchange in an agency-client relationship (Figure 2.2).

Figure 2.2 The Interaction Process and Interaction Style in an Agency-Client Relationship

Interaction processes
Exchange processes
Coordination processes
Adaptation processes
Interaction styles
Openness of communication
Formality of control
Investment initiatives

*Figure Source: Halinen (1997)*

As shown in the above figure, the interaction involves the exchange process that is a 'continuous process' of actions and reactions between the agency and client. In this exchange process, the client and agency share resources with each other that may include the transfer of knowledge and workforce. Coordination process is the degree to which the agency and client coordinate various activities that also includes the information exchange. The interaction process is complete when after coordination both parties agree and adapt their work pattern.

Halinen (1997) argues that during the coordination process, the interaction style can be viewed as a characteristic of individuals working in the firm. This is also referred to as intra-firm relations (Lehtinen and Lehtinen, 1991). However, intra-firm relations can also be viewed as a characteristic of the inter-firm interactions where the employees are given the liberty by the top management to speak freely and communicate with each other without any restrictions from the top management. In this respect, the

interaction style mainly follows the direction on which the top management sets the rules (Halinen, 1997).

It is argued that the main point of contact with the client is the account director of the agency (Hill and Sullivan, 2012) however, regular social exchange between the employees of agency and client leads to the development of social bonds between the agency and client personnel (Perry *et al.*, 2002). Social bonds, as discussed earlier are a key determinant of success in the B2B relationships and it is argued that the employees that develop social bonds with the employees of other organization perform better than the ones' who don't develop such bonds (Makkonen and Vuori, 2014). The type of 'interaction process' as shown in the above figure, (i.e. exchange, coordination or adaption) determines what kinds of bonds will most probably develop in the business relationships. Halinen (1997) identifies five types of operational bonds that may emerge in the agency-client relationship that are:

- Knowledge bonds,
- Social bonds,
- Economic bonds,
- Planning bonds
- Legal bonds

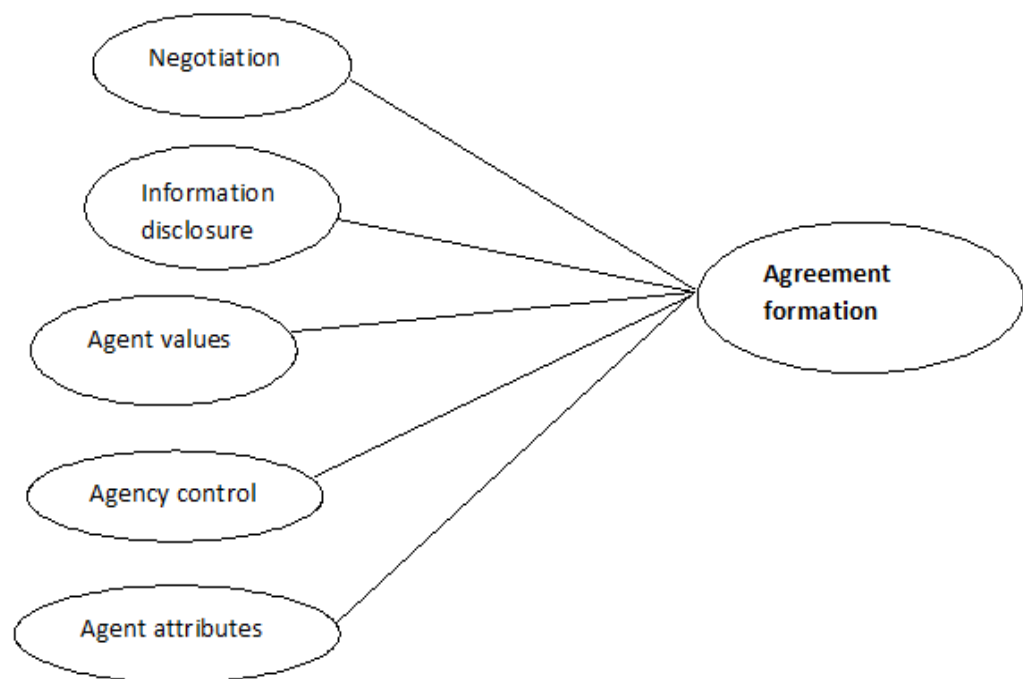
The knowledge bonds and social bonds are likely to be more important determinants in the agency-client relationships because knowledge sharing between the employees of agency and client facilitate the marketing communications efforts of marketing agency and ultimately benefits the client. Therefore, knowledge bonds provide the basis for planning and implementation of marketing communications. It is worth noting here that social bonds are formed between the employees based on their interaction and the key determinants are trust and commitment between the employees (Perry *et al.*, 2002). Therefore, as in other B2B relationships (as discussed in section 2.2), trust and commitment appear as the key factors that determine the success of agency-client relationship.

#### **2.3.2.6 The Role of Contract between the Agency-Client Relationships**

Contracts can be seen as devices for conducting and controlling the exchange process in a business relationship (Siemieniako and Gebarowski, 2016). A contract can serve as

a means of reducing uncertainty that exists in the service exchange between agencies and clients. The unit of analysis to test the relationship between agencies and clients can be the contract that both parties develop before agreeing on terms and conditions. The agency and client define their roles in the contract that is mutually agreed between them (Honkanen, 2018). Hemphill (2010) argues that the agreement that is formed between agencies and clients include the key attributes as shown below in (Figure 2.3).

Figure 2.3 Conceptual Model of Agreement Formation between Agency-Client



*\*Figure Source: Hemphill (2010; pg. 154)*

As shown above in figure 2.3, the first attribute in the contract formation is the 'negotiation' stage between the agency and client. In these negotiations, the terms of agreement are discussed prior to commitment of both partners. Olekalns and Smith (2003) explains this process of negotiations as the social exchange process between the two parties where the agency seeks to sell its services and both parties negotiate over the service modifications that will suit the client's demands, bargaining, trading-off and the proposed outcome/results. In these negotiations, both parties disclose information and become familiar with each other's business requirements and needs.

In the second attribute of the contract, both parties disclose information that is required by the other party. Here Hemphill (2010) asserts that self-disclosed information from both parties directly influences and facilitates the agreement formation attempt. Triki *et al.* (2007) argues that although the agency and client engage in a social contract, the relationship needs to be formalised as a legal contract in which both parties clearly disclose information concerning their roles and involvement.

The third attribute in the contract is the 'agent value'. Here it is argued that the agency is also concerned about receiving money from the client for its services and gives priority to self-interest. The agency and client both have their own organizational culture and personal work values. However, in the interest of a successful relationship it is suggested, the agencies should not overlook the interest of the clients. Considering the control in the agreement formation, Hemphill (2010) argues that the more agency control is there in the contract, the more will be the chances of agreement formation between the agency and its client. This extends the assertion of Bergen *et al.* (1992) that autonomy and control given to the agency enhances the creativity of the agency. In this respect, the attributes of the agency while forming a contract (i.e. the capacity to interact and impress the client) are also associated to the formation of the agreement.

The importance of contractual obligations on agency-client relationship was highlighted earlier by (Wackman *et al.*, 1987). However, they emphasized that people rather than the contract has major influence on the strength of relationship. Meenaghan and Patton (1995) suggest that successful agency-client relationship is driven by personal and structural factors rather than a formal written contract. In the personal factors, trust and empathy between the agency executives and client representatives is regarded as the key determinants of successful relationship. The structural factors include a range of services being offered such as, media options available and the expertise and creativity within these media. Based on the existing literature on agency-client relationship, it is therefore concluded that the trust between the two parties is an important factor in the success of the relationship rather than the role and influence of the contract.

Considering the importance of trust in the agency-client relationships, Fang *et al.* (2008) explores the effect of trust at three organizational levels i.e. inter-organizational trust between the partners, the second effect is on the agency's trust on its own personnel and the third level is on the trust of individuals on both sides (agency and client) that are directly involved in the relationship. Fang *et al.* (2008) downplays the importance of contract in the success of agency-client relationships because they consider trust as the main determinant of a successful relationship. The following section discusses the significance of contract in the services sector.

#### **2.3.2.7 Influence of Contract in the Service Sector**

Holland (1992) argues that in the service sector, such as in the case of banking sector, banks seek a contract to form a relationship that is based on the economic dependence rather than social dependence. The main reason for forming a contract is to deal with any arising conflicts and difficulties in the relationship with other firms. However, Hemphill (2010) distinguishes that in the professional services such as, in the banking and telecom sector, a contract cannot establish a business relationship because due to the complex and varied nature of the business operations, there are some attributes of the services that cannot be written down in details on the contract between the parties. This raises a further need to investigate the role of contract within selected firms in this research to explore the role of contract in selected service sector firms.

Nonetheless, in a business environment, a formal written contract has become a common norm and obligation when two or more parties work together. The 'agency theory' explicitly addresses contractual framework between businesses and therefore can be used to help design the contract that is fair to the concerned parties (Tate *et al.*, 2010). The formation of a contract is an important aspect and in many cases and it is an obligation for building a relationship. The formation and importance of a contract can be further explored by examining the agency theory as discussed below.

#### **2.3.2.8 The Agency Theory**

The agency theory is concerned with resolving issues or conflicts that can exist between an agency and its client. The agency theory has been used by researchers to examine various market structures, such as corporate governance and capital markets

(e.g. McCarthy and Puffer, 2008). The application of agency theory can help design the most effective type of contract in the agency-client relationships (Bergen *et al.*, 1992).

The agency theory explains the relationship between an agent and its client where the client hires the agency to perform certain tasks based on its behalf. According to Tate *et al.* (2010), the agency theory provides the most efficient way of contractual arrangements between the contracting parties. The principal wants the provider to meet or exceed agreed upon service levels and the agent wants to be fairly rewarded for his efforts. Primarily the agency theory posits that the problems in the agency-client relationship can be resolved by developing a contract because it is infeasible for the client to verify the agent's performance without comparing it with the terms and conditions as defined in the contract. Finally, Tate *et al.* (2010) explains that a contract can be more effective when there is goal congruence between the agency and client.

### **2.3.2.9 Creativity and Proactivity of the Agency and its role in the Continuation of Relationship**

The existing literature on agency-client relationship highlights the importance of two factors that influence on the continuity of their relationship. These are: the creativity of the agency and its proactivity.

**Creativity of the agency:** With the advancement in the digital marketing field, creative skills of the employees are considered vital for a business (Royle and Laing, 2014; O'Conner *et al.*, 2018). Agency's creativity is a product of team efforts whereby the employees interact to share knowledge, skills, and expertise to produce creative marketing campaigns (Lynch and West, 2017). After the formation of contractual agreement between the two parties, for the continuation of agency-client relationship, the existing literature suggests that creativity of agency plays a vital role in a relationship that starts from the selection of the agency based on its creative spark and expertise. Creativity plays an important role in advertising (Chan, 2016). Creativity can be directly associated with agency's expertise i.e. if the work of the agency is not creative then it is the fault of the agency (White, 2003). However, on the other side, Koslow *et al.* (2006) evaluates that in the agency-client relationship, the marketers or the marketing department of the client directly influence on the creativity of their marketing agencies. Therefore, asserting that creativity is not only linked to the



agency's expertise but it should also be examined from the client's perspective. Further, Koslow *et al.* (2006) identifies three ways in which the clients affect the creativity of their hired agency:

1. Setting direction
2. Resource allocation
3. Evaluation

The client can give directions to the agency in the way it wants the agency to work. The client can give directions about the requirements, needs and predicted outcomes. It is the starting point of the relationship in which the 'client's brief' is given to the agency (Duncan, 2002; Moriarity *et al.*, 2014). In short, the client's brief presents the tasks to the agency or the problems to be solved by the agency. The brief also identifies the target market and the persuasive outcome to be achieved. In the early stage of the relationship, if the agency is given clear direction then it would positively affect the creativity of the agency (Koslow *et al.*, 2006). The creativity of the agency is also influenced by providing several forms of resources to the agency. Resources in terms of knowledge, finance and access to the top management is essential and influences on the creativity of the agency. However, Beverland *et al.* (2007) noticed that the resource allocation depends on the size of the agency, where if the agency is big in size, it will have more resources and will need less dictation from the client. In the third triad, i.e. 'evaluation', the client holds agency accountable for their performance. Then the evaluation of the marketing communications is also essential which can also direct the agency to improve its creative performance. Clients frequently evaluate and monitor the output of their agency and much importance is given to the creative work done by the marketing agency (Koslow *et al.*, 2006).

**Proactivity of the partner:** Proactive behaviour of refers to self-initiated actions that aim to change and improve the current situation before a problem emerges (Caesens *et al.*, 2016). Various studies explain the split over the perception of responsibilities and roles that are involved in the agency-client relationship (Schultz *et al.*, 1994; Beard, 1996; Gould *et al.*, 1999). However, in the context of agency-client relationship, 'proactivity' is a key strategy for a successful relationship. It is defined as the anticipation and action on the future needs of the client (Beverland *et al.*, 2007). Being

proactive means that the agency is keen to advance the relationship with the existing client and therefore the agency develops new opportunities and set new directions to strengthen the relationship (Messman and Mulder, 2017). Michell (1996) explains that proactive marketing agency develops a close and mutually beneficial relationship. For the marketing agencies, the key to being proactive lies in adapting to innovations in marketing communications. This seems important in the present business scenario where technologically advanced media and mediums of communication are gaining more importance by the marketers, which forces the marketing agencies to be proactive in adapting to the use of these advancements. By becoming proactive, the agency reduces the chances of switching by the client. Proactivity is also believed to be critical to improving the client's satisfaction level (Beverland *et al.*, 2007). Clients will be more satisfied when the agency has more understanding about the client's requirements and the sales personnel should be competent to understand the client's expectations and develop new opportunities (Michell and Sanders, 1995).

#### **2.3.2.10 Agency-Client Relationship Network**

Relationship marketing literature suggests that every company whether directly or indirectly is connected with a string of relationships that forms a network around it (Hakansson and Ford, 2002). Similarly, to understand the development of an agency-client relationship, there is a need to examine the whole environment in which both parties are operating. The environment is the network of relationships between the client and agencies. Halinen (1997) categorizes the environment surrounding a marketing agency into two types depending on the nature of work it is performing:

1. Primary environment: It may consist of the printing house, suppliers, distributors and final consumers.
2. Secondary environment: It may consist of association of advertising agencies, production firms, competing agencies and client's competitors.
- 3.

### 2.3.2.11 Conflicts and Break-up between Agency-Client Relationship

Research suggests that agency-client relationships do not last long, and most of the agency-client relationships break-up within less than ten years (Kitchen, 1999). Examining the problems and conflicts faced by marketing agencies and clients in their relationships would help to take necessary steps in advance to avoid such conflicts and breakups. As the relationship marketing (RM) literature suggests that with the passage of time, problems and conflicts arise in any relationship (Andersen, 2001; Podskoff *et al.*, 2007) and managing such challenges is a difficult task. Similarly, dealing with such conflicts and issues in the agency-client relationships is a challenge for both parties. Specifically, in the case of relationships between a marketing agency and its client is always a greater challenge for the agency because any change in the client's marketing strategy means that the agency has to review and restructure its marketing approach and this could lead to conflicts in their relationship between the two parties (Horsky, 2006).

Furthermore, the agencies require clear direction and well communicated client goals otherwise it could affect the performance of the agency and ultimately would affect the relationship between the client and agency (LaBahn and Kohli, 1997). On the one hand, the identification of factors that are responsible for the success and continuation of relationships is important. However, the literature revealed the factors that could trigger conflicts and ultimately could lead to the break-up of relationships. In this respect, by critically evaluating these factors, the break-up of their relationships could be avoided. In this context, it is found that breakup or dissolution of relationship means discontinuity of the marketing campaign and it can undermine the position of brand in the market (Gulsoy, 2012).

According to some studies, the issue of conflict and break-up between agencies and clients revolve around the contract. Contract between the agency and client is considered as central to identify and evaluate the conflicts and problems. Investigating the issues that can develop a conflict in the agency-client relationship, Bergen *et al.* (1992) highlights two main problems:

- Pre-contractual problems
- Post contractual problems

The pre-contractual problems arise mainly in the selection process when the client makes a decision to hire an agency and offers the contract based on the assumption that it would be best for it. The client faces problems to identify the capacity and capability of the agency. On the other hand, the post contractual problems emerge after when both parties agree to work together based on the terms and conditions that are agreed on the contract. The problems include issues such as, the evaluation of the agency's performance and afterwards based on the evaluation, rewarding the agency (Bergen *et al.*, 1992).

Furthermore, Tate *et al.* (2010) emphasizes the importance of contractual agreement between the agency and client and explains that the agreement formation aligns many aspect and conflicts that arise in the relationship. Tate *et al.* (2010) explain two types of alignment. The first type is the internal alignment. It is the degree to which different departments within an organization have common goals for which they depend on each other. The second type is the external alignment, which is the coordination with external agencies that are working to achieve the same goal.

Beard (1996) suggests that the relationship between agencies and clients becomes more strong and effective when both parties clearly define their roles in the planning process of marketing communications. Role ambiguity can lead to weak relationships and missed opportunities and it occurs when roles are not clearly defined between both parties. The employees working on both sides (i.e. agency and client), lack clarity about requirements and expectations of their jobs and depend on others to give directions. In this respect, the role definition can be seen as a vital aspect of planning marketing communications and fostering an effective agency-client relationship where it is clear to every employee what is expected from them (Gould *et al.*, 1999). However, it is also important to develop follow-up plans and assign responsibilities with clear directions for future based on the defined roles. As Tate *et al.* (2010) found that in many cases despite the fact that roles are defined to individuals on both sides (i.e. agency and client), agencies and clients do not always share similar objectives and even when the objectives are the same, client and agency personnel have different approaches/ ways to achieve these objectives. Therefore, clear role description and assigning responsibilities to suitable employees is essential so that employees know what is expected of them.

Durkin and Lawler (2001) identify '*lack of trust*' as the key factor that leads to the failure of the agency-client relationship. They outlined the following reasons according to which the agency-client relationships fail:

- Lack of trust between the agency and client
- The agency having larger accounts of clients and unable to manage the accounts
- Inappropriate agency staff being appointed for dealing with the clients
- Agency's failure to understand the values and culture of clients.

It is argued that the main reason that increases the client's trust and commitment is the agency's performance (LaBahn and Kohli, 1997). The dissatisfaction with the agency's performance is the main reason that forces the client to break-up the relationship and switch to another agency. However, evaluating performance is another key issue that should be dealt with by the client. This problem is more evident in the services sector where it is more difficult to synchronize the supply and demand gap because service cannot be stored. Therefore, the dimension of exchange and the evaluation of performance in services is ambiguous (Moeller, 2010).

In another perspective, Desouza (1992) emphasized 'price' and 'service quality' factors that could lead to the break-up of the agency-client relationship. Desouza (1992) highlights the following scenarios in which the conflicts arise and ultimately these conflicts lead to the break-up of the relationship:

- The client finds a lower priced alternate agency and therefore considers it financially more feasible to switch to another agency
- The client finds another agency which can provide more superior service catering to its needs
- The client may switch to other agency due to internal and external political considerations.

#### **2.3.2.12 Conflict Avoidance**

The dissolution or break-up of agency-client relationship can be avoided if both parties (agency and client) address and actively try to resolve any rising conflicts. Relationship can be strengthened when the client's participation is more in the planning of marketing with its marketing agencies. This tends to increase the performance and

service standards (Caceres and Paparoidamis, 2007). The agency should be considered as a business partner rather than a service provider where exchange of values and information is communicated on a regular basis (Gould *et al.*, 1999). A contract between the agency and client appears to delineate the responsibilities of both parties which leads to a strong and long standing relationship (Gulsoy, 2012). However, Palihawadana and Barnes (2005) emphasize more on the 'satisfaction' aspect and argued that despite the presence of a contract between the marketing agency and client, which ensures that both parties are bound to work in a specified manner, this does not necessarily imply satisfaction and hence the performance is not effective. In the early stage of the relationship, Palihawadana and Barnes (2005) advise that agencies that are the service providers to their clients should explicitly communicate to prospective clients their profile details (i.e. their experience, qualifications and past achievements) of their employees and their organization so that the clients are made clear about the agency's expertise. Furthermore in another related study, Martin *et al.* (2007) identified that lack of communication between the marketing agency and client personnel was the main reason for the failure of relationship because employees are not sure about each other's field of operation and therefore, lack of dialogue effects their relationship.

The following section presents a discussion on the two theories that further help in understanding business relationships. These two theories (i.e. SET and SNT) are addressed as the existing literature suggests the influential role of social exchange business network in a B2B relationship.

### **2.3.3 Business Relationship Theories**

This section gives an overview of two important theories that have been used to study and support relationship marketing practices. The two most prominent theories, for understanding business relationships are: 'social exchange theory' and 'social network theory'. However, there is not much evidence of the application of these theories, particularly in the services sector. Therefore, it will be interesting to assess whether the selected agencies-clients form their relationship based on the principals of social exchange theory (SET) (i.e. cost-benefit analysis) or based on social network theory (SNT) theory (i.e. business network perspective). The following section describes the two theories in detail:

### 2.3.3.1 Social Exchange Theory (SET)

Social exchange theory (SET) is one of the most influential contributors towards the understanding of business relationships and networks (e.g. Moller, 2013; Ashnai *et al.*, 2016). SET was introduced by the sociologist Homans in (1958) and his theory posits that relationships are formed based on cost-benefit analysis and the comparison of alternatives (Slack *et al.*, 2015). SET explains why we choose to start and continue relationships. SET proposes that individuals choose to create and maintain relationships that are most profitable and beneficial for them. SET posits that when humans engage in an exchange relationship, they strive for a positive outcome, meaning that they look for the relationship partners that can give them maximum benefit at minimum cost. Due to continuous interaction between individuals in the relationships, social change occurs (Katz *et al.*, 2004). The key quality in a social exchange is that, there are no formal terms and conditions attached to the exchange therefore, individuals choose not to discuss the terms of exchange and expect that reciprocation will be forthcoming (Holthausen, 2010). While SET explains how human relationships are formed based on cost-benefit analysis, researchers have used this theory to explain the negotiation and interaction between business relationships. Several authors appear to agree that the concept of business relationships stems from the social exchange theory and social network theory (e.g. Anderson *et al.*, 1994; Ybarra and Wiersema, 1999; Katz *et al.*, 2004; Cropanzano and Mitchell, 2005).

From SET's perspective, two parties engage in a social exchange with a motive to take benefit from each other. There has to be something given and in return something is given back (Cropanzano and Mitchell, 2005). Social exchanges are important for people because people want to receive individual benefits that they believe cannot be acquired alone (Lawler, 2001). Similarly, in B2B relationships, companies manage and maintain relationships to acquire knowledge and resources that they cannot acquire without others. Therefore, companies engage in social exchange process by forming alliances and partnerships. Lambe *et al.* (2001) argued that much of the research on B2B relationships explicitly or implicitly utilizes SET, because SET primarily focuses on the exchange and interaction between two or more individuals. Whereas, in B2B relationships, companies also evaluate their relations and interactions based on their previous interactions/experiences (Anderson, 1995; Murphy *et al.*, 2015). For example,

SET can be applicable in a business relationship scenario when a company selects distributors that can reach to the customers. Before making a decision to start a relationship with each other, the company and the distributors perform a cost-benefit analysis. Both parties will evaluate the pros and cons of engaging with each other and if both agree to work together then they might develop formal contracts or written agreements. However, as the relationship strengthens, distributor and company perform their cost-benefit analysis and decide whether to continue their relationship or break it. Muthusamy and White (2005) described an interesting analysis on SET and argued that one time exchange in a marketing place does not qualify for a social exchange. That means if a company forms a relationship, their cost-benefit analysis can only be examined when repeated interactions between the parties takes place.

#### **2.3.3.1.1 Value in the Social Exchange**

From the SET perspective, the initial transactions are crucial in determining whether the B2B relationship will expand, diminish, remain the same, or dissolve therefore SET acts as a governance mechanism (Lambe *et al.*, 2001). A key question while investigating SET is about how partners who are engaged in a relationship can calculate or weigh the cost-benefit analysis. Gefen and Ridings (2002) addresses the evaluation of social exchange process and explains that individuals engage in a social relationship when they expect the benefit from the social exchange that justifies the cost of taking part in the exchange. To clarify this ambiguity about the benefits of social exchange, Lawyer (2001) argues that social exchange is conceptualized as a joint activity where two parties interact with each other and there is a value associated with their interaction. This value is not always measured in terms of finance involved in the relationship, there could be other outcomes that might be more valuable for the exchange parties that could include access to tangible and intangible resources such as knowledge and experience. Without the exchange of something that is valued by the parties (i.e. social or economic) this could lead to the termination of the relationship as there is no formal contract between the exchange parties in a social exchange (Holthousen, 2010).

Lawler (2001) describes the difference between social exchange and an economic exchange such that in economic exchange two parties are committed to exchange costs whereas; social exchange comprises of non-specified commitments. In social



exchange, exchanges between people are not always committed to material goods such as money or transfer of resources. In the social exchanges, symbolic values are also included such as prestige, image and respect that are intangible resources for businesses (Holthausen (2010). Economic exchange involves transaction, but social exchange requires trust (Liao, 2008). Furthermore, Holthausen (2010) suggests that when intangible resources are exchanged between partners, trust is the key element that keeps the partners in a relationship where trust and commitment are more important than the cost associated with maintaining a business relationship.

SET provides an explanation for justifying the exchange decisions of businesses where they engage in relationships not solely for taking financial gains but companies evaluate relationships in a behavioural context for achieving their goals (Yanamandram and White, 2012). That is why, it can be argued that SET is being constantly utilized in relationship marketing literature particularly in B2B relational exchange because behavioural elements such as trust, satisfaction and commitment are the key determinants of successful relationships (Lambe *et al.*, 2001; Chang *et al.*, 2015).

#### **2.3.3.1.2 Key Constructs of SET**

The key components for a successful relationship exchange are discussed in the previous section where in one form or other, these determinants represent empirical operationalization of the fundamental premises of SET (e.g. Lambe *et al.*, 2001; Liao, 2008). There is a substantial body of research that utilizes SET in the relationship marketing literature and explicitly or implicitly specifies the determinants of RM as the focal constructs of SET such as trust, commitment and satisfaction (Lambe *et al.*, 2001; Muthusamy and White, 2005; Flynn, 2005; Holthausen, 2010). Moreover, it is argued that trust and commitment are the part of social exchange process that lead to knowledge transfer between businesses (Muthusamy and White, 2005; Liao, 2008). Similarly, earlier Hallen *et al.* (1991) highlighted the importance of SET by pointing out to the determinant of trust in the SET theory as the foundational basis for B2B relationship marketing. From a SET perspective, commitment is strongly influenced by the level of social and economic rewards received in a relationship. Firms receiving high level of benefits from a relationship may view their relationship important to maintain and in the same way will be more committed. According to SET, satisfaction

plays an integral role in relationships. Where satisfaction is primarily used as an outcome variable in the relationship (Holthausen, 2010).

In summary, Lambe *et al.* (2001) has described four premises on which the SET is based:

1. Socio-economic outcome: The exchange between partners results in economic or social outcome. Economic outcomes such as money is important for the exchange partners however, social outcomes such as emotional satisfaction (Sierra and McQuitty, 2005) are often more important than the economic outcomes.
2. Comparison with exchange alternatives: SET suggests that two parties will remain in a relationship as long as both receive outcome that is beneficial for both of them. The economic or social outcomes are compared with exchange alternatives over the time of relationship duration to determine dependence on the exchange relationship.
3. Social obligation: Positive outcomes from the social exchange increases trust and commitment between the partners. There is a social obligation rather than a contract that binds partners to remain in a partnership therefore, trust is an important aspect in SET (Luo, 2002). In SET, attention is given to 'relational governance mechanisms' rather than 'contractual governance mechanism'. Relational control (norms or personal relations) is often an effective means of governance as compared to formal contracts.
4. Social Norms: Social norms are more important than the use of power in social exchange. As the involved parties introduce norms, it forms as a regularity and control mechanism. Norms are explicit mutually agreed upon rules for interaction between the parties.

It is argued that if the relationship is not successful, then the partners search for alternatives (Schiele *et al.*, 2012). There are mainly two reasons for this. The first reason is because the exchange partners are not satisfied with their partnership or the second reason is that they have found a better alternative that can provide them economic or social benefits. In terms of economic dissatisfaction from the relationship, the loss can be money (economic), but also time or effort (social). Therefore, it is the

outcome of the social exchange based on which individuals decide whether to continue or terminate the relationship.

### **2.3.3.2 Social Network Theory (SNT)**

Another theory related with relationship marketing in a B2B context is the social network theory (SNT) also known as the 'network theory'. SNT stems from the area of social psychology and mathematical sociology. It is extensively used by researchers in the field of relationship marketing and business networks (e.g. Hakansson and Snehota, 1995; Ford, 1998; Hakansson, 2006). In the present business environment, no business can operate without interacting with a range of stakeholders that are directly or indirectly involved in the business. For example, a car manufacturing company requires business relations with the R&D companies, a range of distributors, importers/exporters, advertising agencies and many more. As discussed before, SET describes the relationships on an individual level where one company manages its relationships with another company based on the cost-benefit analysis. However, when there is more than one relationship to manage as described in the example of cars manufacturing industry, then SNT provides methods for analysing the structure of multiple relationships. From this perspective of managing many relationships, Gummesson (2002) and Gummesson (2004) argued that RM discipline is based on interaction within networks of relationships because companies manage and evaluate their relationships as a whole rather than on an individual level.

The existing literature suggests that relationships become more complex when there are various external partners involved with a business that can be suppliers, partners, agencies and competitors (Eggert *et al.*, 2006). As a company establishes itself, it forms more business relationships and thereof, a business network is formed. Business networks are conceptualized as a set of connected business relationships (Anderson *et al.*, 1994) where all the involved external partners are inter-linked with one another. Hakansson and Ford (2002; 133) described that:

*"It is not a world of individual and isolated transactions between companies. Instead, each node or business unit, with its unique technical and human resources is bound together with many others in a variety of different ways through its relationships."*

The terms, relationship marketing and business network are commonly used in academic literature with a view to address the key issues and present solutions for practitioners to efficiently work along with the business partners (Hakansson and Ford, 2002). Business networks are regarded as the set of connected firms (Anderson *et al.*, 1994). A business network is a structure, which has several nodes that are interconnected with each other such that all the interconnected nodes represent a network. Nodes are the business units such as, producers, customers, suppliers and manufacturers. The threads that join these nodes are considered as the business relationships (Borgatti and Halgin, 2011). Hakansson and Ford (2002) argue that both these nodes and threads that join the network are 'heavy' in a sense that these carry knowledge, resources and investment.

One reason for companies to maintain and strengthen their relationships with external partners is to enlarge and extend their business network in which some relationships act as intermediaries to facilitate relationships with others. There are several business relationships that a company might develop especially in a new product development process, a company might need to build relations with a range of external partners that includes; research institutions, consultants, suppliers and competitors. When a company establishes these multiple business relationships, it embeds a company from a single relationship to a network of relationships. This notion of network takes also into consideration that, a company do not engage in a relationship for only doing direct business and there can be many other motives behind maintaining a relationship that could include getting access to another company's resources through the network relationships.

Investigating business relationships within a business network is a complex task because a third party, which is not directly linked with the business but is a part of network, can affect a relationship between two directly linked parties. There can be many other resources that a company might be looking to take advantage from the network such as, the network can provide the access to knowledge, technologies and foreign markets (Gulati *et al.*, 2000). Therefore, the conduct and manner in which a firm acts and manages its relationships can be fully understood when we initially examine the relationships on the individual level within the network. Moreover, as the size of the business network increases, managing business network relationships

becomes more complex and difficult due to the increasing number of business partners (e.g. suppliers, competitors, distributors) and at the same time, it becomes more difficult to understand the relationships in the network (Ford *et al.*, 2011).

A perspective of a broader (larger) network is better understood when we examine the case of large multinational companies (MNCs). In order to get access to resources and to capture market share, MNC's go across border into foreign markets. Therefore these MNC's form a larger network of relationships across multiple countries and as their network broadens; these MNC's form new relationships, which brings more challenges for these MNC's to manage these network of relationships. Examining the whole network of business relationships is important because the environment in which the firm operates has an influence on the firm's performance and its operations. Anderson *et al.* (1994) explains that relationship marketing is not a standardized approach in all business networks because firms do not treat the business environment in a standardised way. Their involvement in the relationship will be different with other partners that are the part of the network. The external network environment affects the internal functioning of the firm in such a way that if a relationship between two suppliers break within a network, it will ultimately affect the firm directly or indirectly because the firm will have to find new suppliers, establish new relationships and spend more time to strengthen their new relationships. Moreover, it is argued that the involvement of a business partner effects on the longevity of the relationships (Chinomona and Hove, 2015).

Moller (2013) concluded that the network approach and relationship marketing are broad research traditions and cannot be combined together into a single approach. He argued that the network approach focuses on the inter-organizational business relationships whereas, the relationship marketing approach focus on the supplier-customer relationship. However, a firm does not become a part of a network all at once and it starts with building relationship with one partner then to another. Furthermore, a firm requires to manage relationships individually and each relationship should be understood in its own context rather than looking at all the relationships in a broader perspective (Christopher *et al.*, 2013). Because every relationship is unique and there are different internal and external factors that affect

the relationships (Hakansson and Snehota, 1995), therefore the key components of successful business relationships cannot be ignored in a network approach.

#### 2.3.3.2.1 The Network Organizations

An organization that forms several relationships also interlinks all the connected relationships into a network where every member has its specified role in the network and all the members work together towards a common goal (Lipnack and Stamps, 1994). Gummesson (2002) names such organizations as 'network organizations'. Furthermore, Castell (2011; 168) claims that:

*"networks are the fundamental stuff of which new organizations are and will be made."*

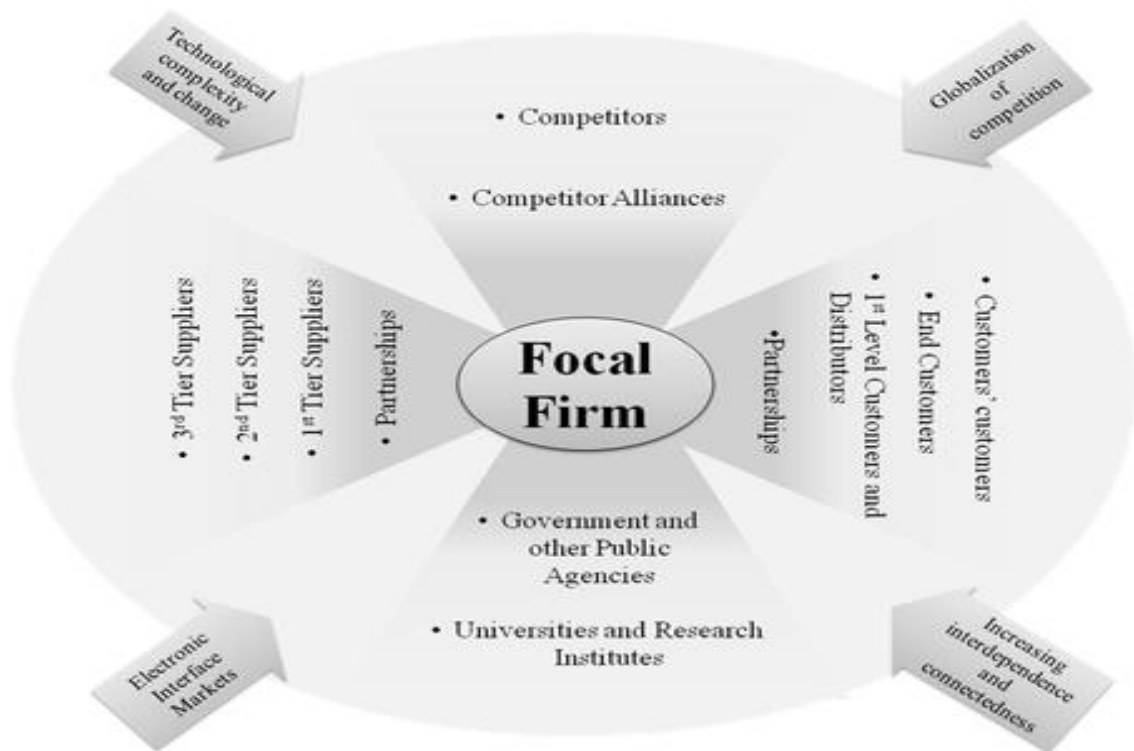
This claim now seems to be a practical approach, where organizations are expanding their product service offering and by doing so, to capture market share they are expanding their business network. Gummesson (2002) argued that some network organizations are bigger than they seem because what we see from outside is just an organization with its key suppliers and partners. However, if we look at the core of these organizations, these organizations carry huge resources, personal contacts and outsourced business partners.

It is important to plan before developing new business relationships and broadening an existing business network because as the network expands, it can bring more complexities and challenges for the network organizations. Ritter (1999) explains that planning in terms of expanding a network comprises of:

- **Internal analysis:** includes firm's internal resources that are required for interacting with all the other partners within the network, internal resources also include the firm's financial resources. Its own strengths and weaknesses.
- **Network analysis:** includes the analysis in which the focal firm decides whether external firms will strategically fit with it.
- **Environmental analysis:** includes the technology fit and the knowledge about the market environment and analysis of the competitors in the network.

The following figure shows different business relationships that a firm gets into, while forming a business network.

Figure 2.4 Business Relationships and Networks – A Focal Firm Perspective



*\*Figure Source: Moller and Halinen (1999)*

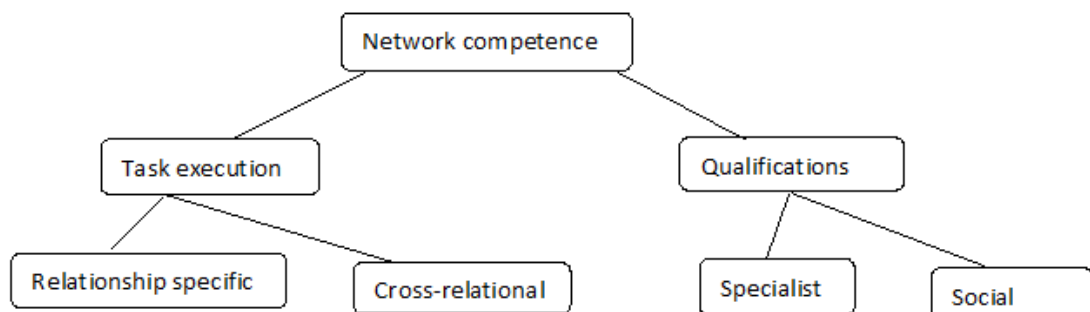
As shown in the above figure, these all relationships surrounding the focal firm are interlinked therefore, an effect of one relationship is felt on all the other relationships directly or indirectly. A firm might need to work along with different agencies and research institutes for the development of its products and services. On the other hand, firms also have to maintain relationship with its customers/end users, distributors and suppliers.

Moller and Halinen (1999) highlights an interesting case of B2B relationships and argued that due to globalization and consumer needs, large companies have now made alliances within a similar sector. Even the former strong competitors now keep good business relations with each other such as in the case of telecom service

providers. Despite of rivalry and tough competition between telecom service providers, many of these rivals have kept good business relations with their rivals. One of the reason for keeping business relations with their rivals/competitors is their quest to acquire market knowledge, access to new markets and resources. The ultimate aim is to create value for both firms and the end users. As Eggert *et al.* (2006) explains that a business network can be a value creation network where a number of relationships together create value to the end user. Therefore, the concept of value as highlighted earlier remains central to relationship marketing domain in terms of individual B2B relationships and in a business network case.

It is important to evaluate how a firm can remain competent while staying in the network relationships with several business partners. One way to be competent is explained by Ritter (1999) who emphasized that due to changing business structure and more dependence of organizations on each other, business people should be trained for business network management qualifications. This same idea is presented by Blakeman (2018). There are two type of qualifications required for the management of business relationships within a network setting as identified and shown in the figure below by (Ritter, 1999).

Figure 2.5 Elements of a company's network competence



\*Figure Source: Ritter (1999)



Specialist qualifications (as shown in figure 2.5) includes technical skills, which are important to understand the partner needs and requirements. Other skills include economic skills that are required to define inputs and set prices. Skills in legal matters are mainly relevant to set up contracts but can be even more important in areas where partners do not agree on a formal contract. Network knowledge includes information about other companies, their personnel and resources, which is important to understand the development of the network. Social skills are required to an extent where individuals can interact with one another and share knowledge. These skills contain the ability of an individual to effectively communicate in a social setting.

Low (1997) suggested that there is always a political, economic or emotional cost associated with managing a business relationship. A network will be more efficient and valuable when network structure is formed. Network structures are formed when the relevant actors are given their job that is the result of cooperation between all the firms that form the business relationship. When the individuals are managing the network positions, in other words it can be said that they are managing business relationships.

#### **2.3.3.2.2 Operating in a Business Network**

Managing relationships in a network is challenging and a clear sense of direction is required before and after becoming part of a business network. Ford *et al.* (2011) has identified three managerial questions that can be useful if addressed in a business network case, as presented below:

1. What does the company have to offer to others in the network and what should the company seek from others?
2. How can a company manage with the limited knowledge and resources that it has? How much is the capacity of the company to work independently and how efficiently can a company gain from others in which it can take maximum benefit in a business network?
3. How a company does interacts with all the others in a network such that, one relationship does not affect other relationships within a network?

The initial two questions arise before the development of relationship. Every company has limited resources and therefore, there is a certain level of dependency of the companies to others. The third question is critical from this point of view that in a business network, how much is the level of involvement of the core firm. Gadde and Snehota (2000) suggests that companies should be clear about whether they want to engage into a low or high involvement relationship. They argued that it is not compulsory that a company will always want to engage in a long-term relationship and therefore, it keeps low-involvement relationship with its business network partners. They argued that companies deliberately keep low-involvement relationships because it becomes easier for them to break the relationship and switch to another relationship. In practice, this seems justifiable that in a large business network where there are high costs and other challenges associated with high-involvement relationships (Gadde and Snehota, 2000), therefore it is difficult to keep high-involvement relationship with all the partners in a network. For example, multinational companies have a network that is extended across several countries therefore, maintaining high-involvement relationships with every business partner seems unmanageable or highly difficult. Business partner's involvement with each other increases the level of dependence of one partner on another (Yeniyurt *et al.*, 2014).

Keeping in view the arguments as described by Ford *et al.* (2001) and particularly the three questions identified in their study will help to explore the type/level of involvement of the selected service sector firms in their business network. The findings will further present the reasons for the selected firms to keep the level of involvement at a particular level.

#### **2.3.3.2.3 Control Over the Network**

Another important element within the domain of SNT is regarding the control of the focal firm in its network. Controlling activities are usually undertaken at the start and end of a relationship activity specifically, in the time of conflict and distrust, companies try to take control in their hand and then companies try to use legal ways (legal contracts) to take control. In a business network, control refers to the control of the output (Hakansson and Ford, 2002). Gulati *et al.* (2000) argued that in a business

network, no single company or individual has total control. This view is further extended by Hakansson and Ford (2002), they argued that at one hand, a business network provides opportunities and beneficial business relationships but on the other hand, companies within the network are constrained and are not free to act according to their own intentions that raise the issues of taking control over the network. There are several relationships that are embedded with each other in a network therefore; it is not possible for a firm to dictate and to take control over the whole network.

It is argued that if a company wants to take control, the network becomes less effective and less innovative (Hanansson and Ford, 2002) because all the other firms in the network want some level of autonomy to be creative and to work independently. From the perspective of internal control and management of relationship internally within a firm, Ford *et al.* (2011) suggests that there should be a decline in the control and command management of the top management and responsibility should be distributed equally among the management. This will allow the less use of dictatorship style and equal power sharing among the management.

Jap and Ganesen (2000) recognizes that the ability to control the relationship between buyers and sellers changes over time and it depends on the stage of the relationship. Such that, in the early stages of the relationship, it is difficult for buyers to take control over the relationship because norms may not be fully established for structuring the relationship. Where these norms introduce some form of regularity and control for both parties without any legal contract (Lambe *et al.*, 2001). At this early stage, buyers can safeguard themselves with the help of a formal contract. However, as the relationship develops and both buyers and sellers understand each other and interact more frequently, they develop trust and are in a better position to equally share control (Jap and Ganesen, 2000). Furthermore, Batt and Purchase (2004) argued that it is the trust between the relationships in the network that keeps all the firms to operate effectively and when they develop trust then they are in a better position to control. However, when there is a lack of trust between the firms, then Roxenhall and Ghauri (2004) suggest that written contracts are used as a legalistic tool to handle the conflicts that rises between the network firms. Dealing with written formal contracts, Roxenhall and Ghauri (2004) explained that a contract should be mutually developed and the consent of both parties should be present in the contract whereas, when the

contracts are unilaterally drawn, firms usually attempt to control and coordinate the individuals of opposite party.

Various studies on agency-client relationship are identified in the existing literature (e.g. Fam and Waller, 2008; Hemphill, 2010; Keegan *et al*, 2017). Exploring the role of marketing agencies and their relationships in the service sector would be interesting. Particularly from the perspective of network approach (SNT), the key issue will be to examine whether the clients in the service sector prefer to work with multiple 'specialist agencies' to form a larger network of relationships or a single 'full-service' agency. It will also be interesting to explore whether the characteristics of services play any role in the decision making of the clients while selecting and working with appropriate marketing agencies.

#### **2.3.3.3 Comparison between Social Exchange and Social Network Perspective**

The influence of two theories (i.e. SET and SNT) on the formation and the management of business relationships are explored in the light of literature. Their relevance and association is particularly examined in the B2B relationships context. SET provides the basic structure on the relationship development in which the emphasis from a B2B perspective is on the relationship formation between two partners. However, SNT gives a more relevant and broader B2B relationship view in which this theory suggests that companies form and manage several relationships with a range of stakeholders that are involved in the business operations. SET's emphasis is more on the economic and social perspective of business relationships such as cost-benefit analysis and search for alternatives whereas, SNT highlights the elements of network competence where a company manages several relationships at a time. However, SNT does not negate the key constructs of SET as they serve as the foundation of any business relationship. Moreover, 'relationship value' is given equal importance in both theories and serves as the outcome of any B2B relationship.

The following table draws the comparison between the two theories (i.e. SET and SNT) as discussed above.

Table 2.2 Comparison between the Social Exchange and Social Network Perspective

	<b>Social Exchange Perspective</b>	<b>Social Network Perspective</b>
Focus of theory	Focus is on the behavioural context of individuals	Focus is on the business network context and connected relationships
Relationship strength	No formal terms and conditions between partners	Choice of high and low relationship involvement
Relationship development	Based on cost-benefit analysis	Based on the connected network relationships
Involvement in the relationship	Initially by contract and then replaced by value of the relationship	Contract plays an important role in the involvement of parties.
Outcome from the relationship	Social outcome	Social and Economic outcome

This section has investigated two prominent theories (i.e. SET and SNT) that are used to understand business relationships. These two theories (SET and SNT) provide differentiating views on the formation of B2B relationships. This chapter has identified the key constructs of both theories, particularly keeping in view the relevance of these theories on B2B relationships. The investigation of these theories will help in examining the agency-client relationships between the selected firms and it will also help in providing a deeper understanding of B2B relationships in the selected service sector firms. In the next phase of this research, these two theories will be evaluated within the banking and telecom service sector in Pakistan to explore their applicability and relevance in the given context. Therefore, research objective 3 is formed with an intention to evaluate the management of relationship between the selected clients

and their marketing agencies. As presented in Chapter 1, the third research objective is as follows:

- **Research Objective 3: To evaluate critically how the relationship between clients and marketing agencies are managed, including the extent to which social exchange and social network perspectives have an influence.**

#### **2.3.3.4 Framework Representing Stages in the Agency-Client Relationship**

The existing literature on agency-client relationship explains the determinants that are important aspects of their relationship success as discussed above in this chapter. Based on the review of existing literature on Relationship Marketing (RM) and Agency Client Relationship (ACR), a conceptual theoretical framework is developed that shows the four stages in the agency-client relationship (figure 2.6). This framework reflects the relationship development process (e.g. Andersen, 2001; Waller 2004). In terms of agency-client relationship success, the key factors that are considered important in the light of existing literature are included in the framework.

The intention of reviewing the literature on RM and agency-client relationship is to get an understanding of the relationship marketing discipline and key factors that play a significant role in the agency-client relationships. As Robson and McCartan (2016) describes, for researchers it is useful to develop a conceptual framework based on the review of literature and refine it as data collection and analysis takes place therefore, at the end of this chapter a conceptual theoretical framework is developed that will act as a guideline to carryout primary research from the selected organizations. It is worth pointing out here that the themes that emerged from the review of existing literature that are shown below in (table 2.3) and in (figure 2.6) are believed to be subjective with regards to the findings of the existing literature. The researcher believes that based on the findings of this research, new themes will emerge that would relate to the research carried out in the selected organizations in Pakistan.

As discussed in the above literature, agency-client relationship starts with the process of selection of the appropriate marketing agency. Therefore, the framework below (figure 2.6) represents the client's initiative to look for the appropriate agency that has the relevant experience, resources and skills. From the SET and SNT perspective, the

client may be or may not be interested in the marketing agency's business network or keeping one to one relationship with the marketing agency based on the social exchange perspective i.e. the cost-benefit analysis. In the second 'initiation stage', the relationship starts to develop based on the factors such as, mutual trust, satisfaction and communication. In the light of existing literature, these are the key determinants that are important in the development of their relationship. A formal written contract is usually developed which is also based on their mutual consent. In the third stage, the continuation of relationship between agency-client depends on client's involvement in the relationship, typically engaging with the agency personnel regarding the planning and implementation of marketing communications. On the other side, the agency's creativity and proactivity plays an important role in the continuation of their relationship because the agency develops new opportunities and set directions that strengthens their relationship. From the client's perspective, the continuation of relationship depends on the high and low involvement in the relationship, as shown in (figure 2.6). In the final evaluation stage, the agency and client both work according to the set goals/target based on the terms and conditions that are defined in the contract.

Based on the analysis of the literature in this chapter, the following themes have emerged that represent the stage wise agency-client relationship development.

Table 2.3 Themes Emerged from the Existing Literature

**Themes Emerging from Existing Literature**

**Experience:** Andersen (2001); Lambe *et al* (2001); Grant and McLeod (2007); Eggert *et al* (2016); Liu and Maula (2016); Smilansky (2017); Murphy *et al* (2017)

**Skills:** Ritter (1999); Grant and McLeod (2007); Gulati *et al* (2000); Royle and Laing (2014); Turnbull and Wheeler (2016); Blakeman (2018)

**Network of Relationships:** Ford (1990); Hakansson and Snehota (1995); Hakansson (2006); Liu *et al* (2017); Aaboen *et al* (2017)

**Trust:** Moller and Halinen (1999); Eisingerch and Bell (2007); Firdaus and Kanyan (2014); Leonidou *et al* (2017); Houjeir and Brennan (2017)

**Satisfaction:** Michel and Sanders (1995); Sierra and McQuitty (2005); Caceres and Paparoidamis (2007); Fam and Waller (2008); Mysen *et al* (2011); Leonidou *et al* (2017); Nunan *et al* (2018)

**Communication:** Beard (1996); Ritter (2000); Andersen (2001); Hakansson and Ford (2002); Caceres and Paparoidamis (2007); Ford *et al* (2011); Firdaus and Kanyan (2014); Fitzhugh and Douglas (2016); Blessley *et al* (2018)

**Contract:** Wackman *et al* (1987); Triki *et al* (2007); Hemphill (2010); Tate *et al* (2010); Honkanen (2018)

**Involvement:** Gadde and Snehota (2000); Triki *et al* (2007); Yeniyore *et al* (2014); Chinomona and Hove (2015)

**Social Bonds:** Cynthia and Delia (1997); Perry *et al* (2002); Hemphill (2010); Schakett *et al* (2011); Makkonen and Yuori (2014); Noor *et al* (2015)

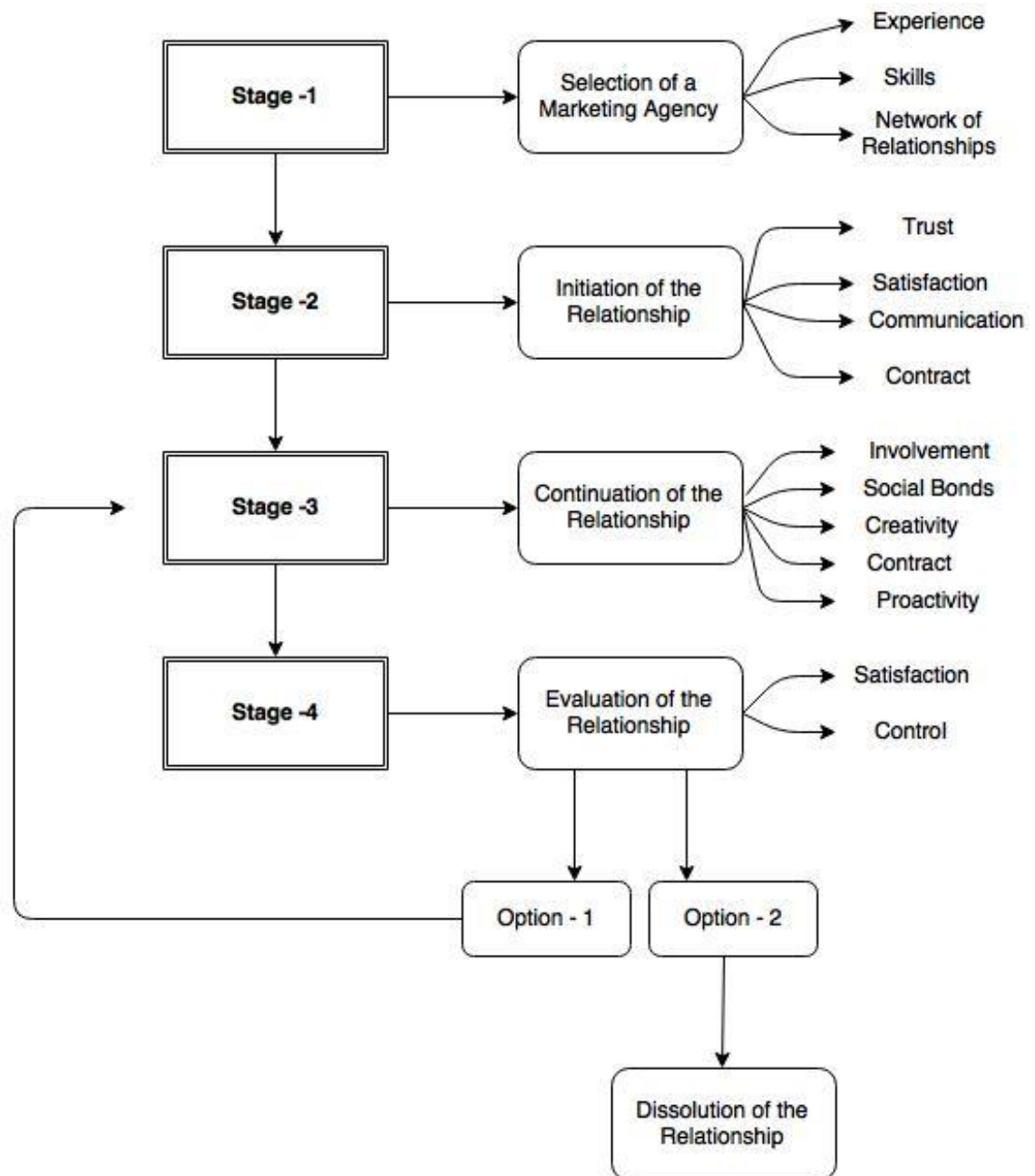
**Creativity:** White (2003); Koslow *et al* (2006); Chan (2016); Lynch and West (2017); O'Conner *et al* (2018)

**Proactivity:** Michell (1996); Beverland *et al* (2007); Caesens *et al* (2016); Messmann and Mulder (2017)

**Control:** Hakansson and Ford (2002); Roxenhall and Ghauri (2004); Hemphill (2010); Ford *et al* (2011); Siemieniako and Gebarowski (2016)



Figure 2.6 Conceptual Theoretical Framework Representing Stages in the Agency-Client Relationship



#### 2.3.3.5 Summarizing the Third Section of Literature Review on Agency-Client Relationships

This section has helped develop the understanding of relationships between the marketing agencies and their clients. The review of existing literature serves as a guide in building an understanding of the key elements that influence in the agency-client

relationships. Despite the concern by several authors about the success of agency-client relationships, surprisingly there seems to be very few studies that have examined agency-client relationship outcomes and their success and failure determinants. Based on the literature review, this section has presented a classification of agency-client relationships. Moreover, various factors that influence on agency-client relationship stages are explored. These factors helped in the development of an agency-client relationship framework that will be used as a guideline to further explore the relationships in the selected service sector firms in Pakistan. Therefore, the research objective 4 is developed with a view to make a theoretical contribution to the B2B relationship marketing literature. Based on this study, the framework that will be developed in the later stage of this research will be considered as a key theoretical contribution of this research. As presented in Chapter 1, the research objective 4 is as follows:

- **Research Objective 4: To make a theoretical contribution to the B2B Relationship Marketing (RM) literature by developing a framework that best describes the key determinants of relationships between marketing agencies and the clients in the banking and telecom service sector.**

This section has discussed and explored the following areas:

- Classification of agency-client relationship as a B2B relationship. By doing so, this helps to explore the role of the key B2B relationship determinants that are identified in this section.
- Review of literature to explore the need for hiring a marketing agency.
- The role of marketing agency as domain specialist in current business environment.
- SET and SNT and their influence on agency-client relationships.
- Identification of different stages of the agency-client relationships.
- Development of a framework that helps understand different stages in the agency-client relationship based on the key determinants that are identified in (section 2.3).
- Setting up foundation for the design of interview questions that will be used to gather qualitative data, which will be analysed to draw conclusions of this

research based on the key determinants that are presented in the conceptual theoretical framework (figure 2.6).

## Chapter 3

### 3. Research Methodology

To address the problems and challenges faced by the marketing agencies and clients in managing their relationships and to offer solutions for such problems, this research investigates:

How the marketing agencies and service sector clients, (i.e. banks and telecom companies) maintain a business relationship in Pakistan?

To support such an investigation, the following objectives are formulated. These research objectives are developed based on the gaps that are identified in the existing literature and are presented in Chapter 2.

#### **Research Objectives**

1. To critically evaluate the rationale for engaging the services of marketing agencies by the banks and telecom companies in Pakistan.

As discussed in Chapter 2, while outsourcing some of their business operations, companies tend to outsource specific tasks to specialized firms that are experts in their field, to save resources, time and avoiding to indulge into technical complexities (Gadde and Snehota, 2000). Same is the case with outsourcing to marketing agencies, where companies tend to outsource their marketing tasks to such marketing agencies that hold expert knowledge in their area of operations (Low, 2000). Considering the decision making stage to engage with a business partner which Andersen (2001) names as '*pre-relationship stage*', the evaluation of this stage is important as this involves the process of evaluating the utility of new potential business partners and doing a comparison with the firm's own capabilities and other present alternatives. However, particularly in the case of agency-client relationships, the specific reasons for outsourcing such tasks/operations to a marketing agency remain ambiguous in the existing literature specifically in the context of banking and telecom service sector firms in Pakistan. Therefore, in terms of identifying the key determinants in the first stage of the agency-client relationships, the first objective of this research aims to address this gap that is identified in the existing literature and evaluates the rationale for engaging the services of marketing agencies by the selected firms in Pakistan.

The second objective of this research is:

2. To identify the criteria adopted by banks and telecom companies when selecting marketing agencies in Pakistan.

The second research objective as mentioned above, aims to address the selection criteria of marketing agency by the banks and telecom companies in Pakistan. It is discussed in the light of existing literature in Chapter 2, that the selection of a marketing agency is one of the key factors that determines the long-term success of the relationship between the marketing agency and its client. It is also suggested that special care should be taken over the selection process of an agency because the success of the relationship significantly depends on the careful consideration for the selection of a marketing agency (Kitchen, 1999). The existing literature on agency-client relationships presents various factors and criteria adopted by firms for the selection of a marketing agency as discussed in Chapter 2. However, the existing literature fails to identify the specific selection criteria of firms that belong from specific sectors such as, banking and telecom sector firms, particularly within the context of Pakistan. Therefore, one of the objectives (research objective 2) of this thesis is developed to identify the criteria adopted by the selected firms in the selection of a marketing agency.

The third objective of this research is as follows:

3. To evaluate critically how the relationships between clients and marketing agencies are managed, including the extent to which social exchange and social network perspectives have an influence.

The third research objective is developed to evaluate the management of relationships between the selected clients and their marketing agencies. After the selection stage of the marketing agencies, the next stage is managing their relationship in which both involved parties (i.e. client and agency) play their role. The existing literature identifies two influential theories that illustrate business relationships management and formation, as discussed in detail in Chapter 2. SET and SNT are used by several researchers to explain the business relationships formation and management e.g. (Hakansson and Snehota, 1995; Lambe *et al.*, 2001; Wang *et al.*, 2016). However, the existing literature has to an extent, failed to address the influential role of these two

theories in the context of agency-client relationships, which is the focus of this research. Therefore, one of the objectives of this study is to evaluate that, to what extent these two theories have influence in the agency-client relationships in the selected firms in Pakistan. Evaluating the agency-client relationships in the selected service sector firms with respect to the two theories (i.e. SET and SNT) will provide interesting insights with respect to the way their relationships are managed and also such findings will also be useful in the future studies to evaluate the role of both theories in the B2B relationship marketing discipline.

The fourth objective of this research is as follows:

4. To make a theoretical contribution to the B2B Relationship Marketing (RM) literature by developing a framework that best describes the key determinants of relationships between marketing agencies and clients in the banking and telecom sector.

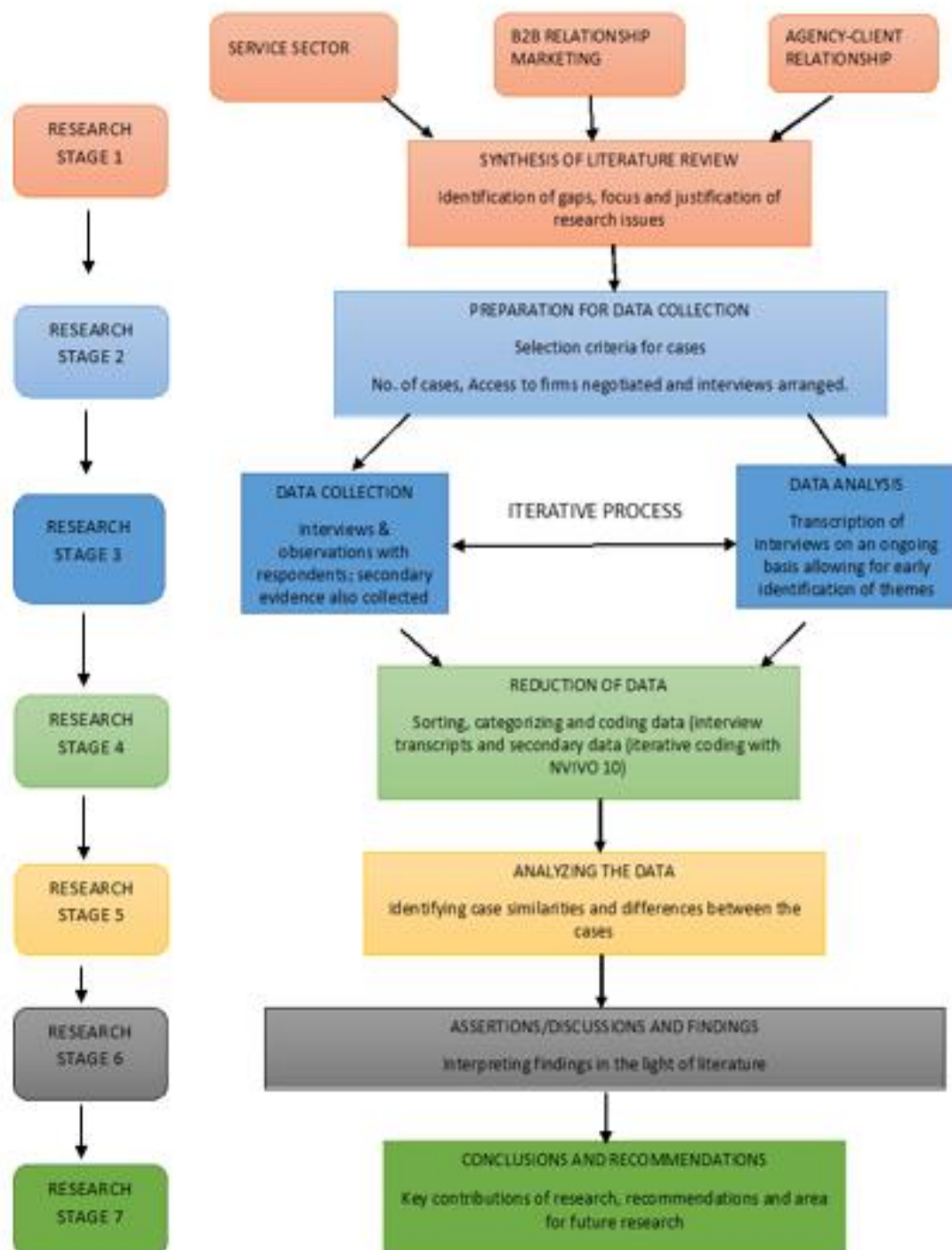
The fourth objective of this research as presented above, is developed with a view to make a theoretical contribution to the B2B relationship marketing literature. Chapter 2 of this thesis presents the determinants of agency-client relationships at different stages in their relationship and further a conceptual theoretical framework is developed based on the review of existing literature. However, other than developing a basic conceptual understanding of the research area/focus, the conceptual framework was developed with an intention to act as a guideline to further investigate the B2B relationships in the selected service sector firms in Pakistan. Therefore, the research objective 4 is developed with a view to make a theoretical contribution to the B2B relationship marketing literature by developing a framework.

The above mentioned research objectives will be achieved at the later stage of this thesis by analysing the findings of this research and evaluating different stages in the agency-client relationships in the selected firms. To the author's knowledge, this is first study of its kind exploring agency-client relationships in the service (particularly banking and telecom services) sector in Pakistan. The significance of doing this research in Pakistan is explained in detail in Chapter 1 of this thesis. The following section (section 3.1) shows the overall research design.

### **3.1 Research Design**

A research design flowchart has been compiled below (shown in Figure 3.1) to explicitly describe the steps that were undertaken to carry out this research. This flowchart has been modified from Saunders *et al.* (2009).

Figure 3.1 Research Design Flowchart



### 3.2 Research Approach

There are two types of research approaches a researcher can take to address a research problem. The deductive approach begins with theory and takes arguments from general principles to general conclusions so that they are capable of being deduced from premises. The hypotheses are deduced from already accepted principles



before being empirically tested. Then through the use of objective measures, statistical generalization can be achieved and the replicable findings will be true. The inductive approach representing the interpretivist paradigm '*attempts to infer general patterns of order or structure from particular sets of empirical data*' and makes empirical generalisations by observing particular instances (Parkhe, 1993; 236). Inductive analyses means that categories, themes and patterns come from the data rather than being imposed prior to data collection, the framework emerges from the data and judgement must be used to decide on relationships between and among variables (Janesick, 1998). In an inductive approach, the researcher begins to detect similar patterns, and then formulate hypothesis to explore and finally ends up developing some general conclusions. Whereas in the deductive approach, the emphasis is on testing of hypotheses and then applying a suitable method to accept or reject the claims made (Saunders *et al.*, 2011). The inductive approach is more open-ended and exploratory and the research is conducted by constantly comparing the theory and practise (Saunders *et al.*, 2011). The following table presents a brief description and differentiating factors in these two research approaches.

Table 3.1 Inductive and Deductive Approaches to Research

<b>Logic of theory</b>	<b>Deductive</b>	<b>Inductive</b>
<b>Direction of theory building</b>	Begins from theory	Begins from reality
<b>Verification</b>	Takes place after theory building is complete	Data generation, analysis and theory verification take place concurrently
<b>Concepts</b>	Firmly defines before research begins	Begins with orienting, sensitizing or flexible concepts
<b>Generalizations</b>	Inductive sample to the populations generalizations	Analytic or exemplar generalizations

\*Source: (Sarantakos, 1998; 15)

Positivists mostly follow a deductive strategy where they assume that if the premises are true then the conclusion must be true. It is argued that deductivists do not make a distinction between observational language and theoretical language as compared to inductivists. The process of deduction starts with theory and then a hypothesis is formed to test the hypothesis, the data is collected and then finally the hypothesis is accepted or rejected based on facts and figures (Bryman and Bell, 2007).

### 3.2.1 Comparison between Qualitative and Quantitative Approach

The selection of research approach depends on the nature of the problem and the philosophical position that the researcher takes to inquire the problem. The three research approaches are: (a) Qualitative (b) Quantitative (c) Mixed methods (Creswell, 2012).

Although many researchers have described the difference between qualitative and quantitative methodologies in the social sciences, the following table presents a summary of main differences that suggests a researcher to adopt a particular strategy.

Table 3.2 A Comparison between Research Strategies

	Qualitative Research	Quantitative Research
<b>Research Problem</b>	How? Why?	Who? How many? What? How much
<b>Literature Review</b>	Exploratory. What are the variables involved? Constructs are messy. Research issues are developed.	Explanatory. What are the relationships between the variables, which have been previously identified and measured? Hypotheses are developed.
<b>Research Paradigm</b>	Critical realism, Interpretive	Positivist
<b>Methodology</b>	For example, case study research or action research	For example, survey or experiment.

*\*Source: Adopted from Carson et al. (2001); Flick et al. (2004)*

### 3.2.2 Quantitative Research Approach

Quantitative research investigates social or human problems, based on theory composed of variables, which are measured with numbers and analysed with statistical procedures in order to establish whether or not the predictive general nature of the theory holds true (Dey 1993). Ritchie *et al.* (2013) argues that even doing a quantitative data analysis such as investigating a relationship between two or more concepts, requires an interpretation of meaning attached to the variables by either the researcher or the social actors that are involved in the research. So even within the quantitative research, interpretivism is useful. Creswell (2012) argues that in the social science research, quantitative research is used where testing of theories is done by examining the relationship between various variables. Quantitative research is used when the theory is explored and a hypothesis is developed and then tests are performed to accept or reject the hypothesis (Newman and Benz, 1998). Quantitative research approach seems unsuitable for this research because relationships are subjective and cannot be associated with numerical values. The aim of this research is not to gather responses and quantify them but the aim is to provide a rich and exploratory study that describes the relationships between business partners.

### 3.2.3 Justification for choosing Qualitative Research Approach

Qualitative research is considered as 'from the inside out' approach which presents the point of view of people who are the part of the research (Flick *et al.*, 2004). Morgan and Smircich (1980) explain that the social world in which we interact is a social continuous process and it is created afresh with every person establishing a meaning based on their own experiences. Hence, we may presume that social sciences research process is an ongoing and evolving practise. According to Flick *et al.* (2004), qualitative research always had a strong applied orientation in addressing the (how and why) research questions and the subsequent methods of procedure. They explain that all researchers bring value to a study whereas qualitative researchers make their values to be recognized in a study.

For a qualitative research, researchers mostly choose an inductive approach as compared to the deductive approach. This distinction is linked to the use of theory testing (deductive) or theory building (inductive) approach (Carson *et al.*, 2001). The

appropriateness of choosing a qualitative methods approach derives from the nature of social phenomenon to explore (Morgan and Smircich, 1980). This research is qualitative and inductive with theory development from different literature streams surrounding the topic of inquiry (i.e.: B2B Relationship Marketing), followed by data collection from the selected service sector firms.

Qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them. Creswell (2012) has used qualitative research to develop theories when partial or inadequate theories exist for existing populations or existing theories do not adequately capture the complexity of the problem being examined. One of the purpose of doing this research is that the researcher believes that the existing theories in RM literature do not fully explain the relationships between marketing agencies and clients specifically in the context of Pakistan's service sector.

Key factors in marketing are essentially socially constructed such as human beliefs, behaviours, perceptions and values. Hence, it is important to employ research methods drawn from this perspective, such as observations and qualitative interviews (Easterby-Smith *et al*, 1991; 42). Moreover, Creswell (2012) argued that if there is little research done on a concept or phenomenon then it merits for a qualitative research approach. Especially in the relationship marketing domain, the important variables or key determinants in the agency-client relationship are not explicitly defined in the existing literature and particularly in the context of the service sector, there is very limited research. Therefore, one of the objectives of this study explores and identifies the agency-client relationship key determinants in the selected service sector firms.

#### **3.2.4 Mixed Methods Approach**

Mixed methods approach resides in the middle of the continuum between the qualitative and quantitative approach. The practise of mixed methods approach has increased over the last few years and there are opposing views on the applicability of mixed methods approach. Carson *et al*. (2001) argues that it provides more perspectives on investigating the phenomenon that is to be researched. Ritchie *et al*. (2013) supports the mixed methods approach and argues that social science researchers must choose different research strategies from each other, which can

possibly produce different outcomes to the research area and in this way their research can add to the richness of constructing and understanding multiple social realities. However, there are some critiques for using the mixed methods approach. As Sale and Brazil (2004) criticized that this approach has violated qualitative and quantitative paradigmatic assumptions. Moreover, Lincoln (2009) recognizes that the mixed methods approach is in practise but the researcher has to be careful by mixing the methods, as there is a possibility that you might be mixing the research paradigms. However, taking the interpretivist qualitative research approach it is believed to work well for this research and there seems no need to use mixed methods approach.

The following discussion addresses the ontological, epistemological and methodological issues that govern this research. The discussion starts with reviewing the ontological and epistemological stances that are deemed appropriate to address the research question, aim and objectives of this research. Then the relevant philosophical positions are discussed. Based on the discussion, interpretivism is considered as the suitable philosophical position that serves as the starting point to address the stated research problem. Further, the method for data collection is described.

### **3.3 Philosophical basis for the Research**

Research philosophy is the development or search for knowledge and the nature of that knowledge (Saunders *et al.*, 2007). Understanding of philosophical issues that are relevant to this research area is important because being a social science researcher, knowledge of philosophy is the initial step that can help social science researchers to choose amongst the most suitable philosophical position. This knowledge about philosophy can further guide towards choosing subsequent research methodology and research techniques (Easterby-Smith *et al.*, 2012). A review of research philosophy will help in this research to reflect on the research problem thereby, minimizing the methodological error (Hughes and Sharrock, 1997). Carson *et al.* (2001) argued that the purpose of understanding research philosophy before doing any research is to get a deeper understanding and wider perspective of research before formulating methodologies. Moreover, it is believed that the philosophical stance taken by the researcher provides an early guideline, allowing the researcher to take appropriate

research choices such as research questions, methods and analysis/interpretation (Quinn *et al.*, 2007).

### **3.3.1 Research Philosophy**

In order to legitimize research practice and to support claims for the validity of the research, the philosophical positions for the methodology should be examined and explained (Gill and Johnson, 2002). In simple terms, philosophy is about how a researcher justify the knowledge claim. In the following discussion, the justification is given to choose the most relevant philosophical position that will help in formulating the research approach and method. Somekh and Lewin (2005) differentiated between two types of research. The first type is the scientific research that is based on the research of discovery and the second type is the social science research, in which social science researchers observe or find facts about the social enquiry. As the intended research falls within the category of '*social science*' research because the aim is to investigate a 'social phenomenon' (i.e. the relationships), the philosophical positions that are appropriate are the ones, which can address the social construction of the world around us, which includes the behaviour of social actors or a social phenomenon. This behaviour of social actors and the social phenomena in this context of research is 'the business-to-business relationships'. Any empirical social science research must begin from a properly articulated philosophical position if it is to be successful (Blaikie, 2007) therefore, having a clear understanding about the philosophy is considered as an important part of this research. After reviewing the existing literature on the agency-client relationships, it is concluded and decided that the empirical research is suitable for this research due to the lack of existing research in this area.

### **3.3.2 The Ontology and Epistemology View**

A philosophical stance for social science researchers is based on the premise of how they view reality and the social constructions. Mertens (2010) argued that social science researcher's perspective of reality affects the way he/she adopts a philosophical position and subsequent methodology. Keeping in line with Blaikie's (2007) viewpoint, that our knowledge is limited because of the fact the world and social constructions that appear to us cannot be observed in a similar manner to

others and similarly not every individual can observe the realities of the world in the same way. This research will take this perspective while investigating the research phenomenon under consideration. The researcher/author, believes that what has been investigated can be further scrutinized from a different point of view and it might will produce different outcome specifically within a different context (i.e. the service sector in Pakistan). However, Blaikie (2007) further argues that these realities cannot be observed directly therefore, different prior concepts and theories help researchers to understand the social construction around them. In this perspective, the author believes that business relationships are a 'social construct' or as Webster (1992) describes as a 'social process' and each relationship is different in its own perspective such that, the key determinants that are identified in the existing literature may not be exactly the same when we explore the B2C relationships.

In this respect, this research proposes that the key determinants of business relationships that are identified in the literature are important for maintaining business relationships therefore, these prior concepts and theories such as the key determinants of RM and agency-client relationships, SET and SNT will help to explore this research inquiry.

There are two assumptions that contribute towards the view of reality and how as researchers we view the world that is socially constructed around us. The first assumption is the ontology, which is the study of different claims made about knowledge or the nature of reality. The method we know things is epistemology (Easterby-Smith *et al.*, 2012).

Carson *et al.* (2001) has established certain steps that justify choosing a research paradigm:

- The researcher's belief, i.e.: the selected ontological and epistemological positions.
- The researcher's focus, i.e.: either searching for facts (positivism) or looking for meanings (interpretivism)
- The methods for data collection (depending on the choice of the focus of research)

Carson *et al.* (2001) explains that the first philosophical stance is the researcher's belief (i.e. the ontological and epistemological position) that influences other decisions of enquiry such as the methodology and analysis. The focus of this research is not on fact finding, rather it focuses on the meanings that are derived when asked of the practitioners. Blaikie (2007) argued that it is important to know 'what is the nature of reality'? In this study, the author believes that there are multiple realities that can be looked at in different ways and different perspectives. For example, Ford (1990) and Hakansson (2006) describe that business relationships are a changing process and there are several factors that influence the relationships such as the size of the network in which the business partners operate which influences the nature of relationships. Other than the influence of the network on the relationships, the characteristics of the service sector particularly in the context of Pakistan also influences the nature of reality and the nature of relationships that also reflects on the epistemological and ontological nature of enquiry. There may emerge multiple realities which may be different in the context of telecom and banking sector in Pakistan which could be different to the findings of the existing studies.

For the social scientists, the nature of reality (ontology) affects the epistemology and the methods to deal with a research problem. Chalmers (1999) argues that before actually starting a research process, it is not possible to establish significant facts about the world through observation without having some prior knowledge and Chalmers (1999) considers this prior knowledge as the current state of knowledge. The main point to look for is that, the current state of knowledge should not influence or create bias towards the research process while exploring the social realities or social phenomenon but it should be only used as a guiding principle. Chalmers (1999) further argues that this prior knowledge is the base, which changes the view of reality for every individual and in this manner, what appears to be an observable fact to one individual may not be observed by another person in a similar manner. In addition to that, Berger and Luckmann (1991) explained that while observing a social phenomenon, the social scientists must set aside their own assumptions and prejudices and by adhering to such practice, the social scientists will be firmly grounded in reality. Keeping in line with such viewpoint, in this study, existing theories and concepts (e.g. B2B relationship determinants and existing theories) are used as a



guide to explore the social construction/social phenomenon and careful consideration about creating bias was adhered to while collecting data from the respondents as discussed later in the following chapter.

### **3.3.3 Relevant Philosophical Positions**

There are two types of studies in social sciences. For some studies, the aim is to produce more knowledge and for other studies, the aim is to bring a change (Ritchie *et al.*, 2013). In this research, the aim is to produce more knowledge by developing a framework/model that describes the determinants of relationships in the selected firms.

The preferred method to investigate the social construct is to directly ask the practitioners that are dealing with their business partner and managing their relationships. While conducting a research, there are mainly two choices available to a researcher. The first option is to remain detached from the social phenomenon and work as an outsider which is mainly associated with positivist approach. The second option is to be involved in the research process by becoming a part of the social construct, which is mostly associated with interpretivist and qualitative approach (Collis and Hussey, 2003).

A brief review of literature that highlights the two extreme philosophical positions will be useful and it will also help to justify the chosen philosophical position. There has been much written against and in favour of different philosophical positions and there are critiques and followers of different research approaches. The following discussion is an attempt to evaluate the appropriateness of the philosophical positions and then out of these, a suitable philosophical approach is selected.

The existing literature defines 'positivism' and 'interpretivism' as the two extremes between different philosophical positions (e.g. Collis and Hussey, 2003). The following table presents the basic distinction between the two paradigms organized into three important pillars of philosophy that is, the social scientist's view about the world reality, the ontology and epistemology. The aim of undertaking this review is not to determine which philosophy is right or wrong or which is best or which is not, the author is merely interested in stating his position on what is intended to be done in the thesis to address the research problem.

Table 3.3 The Two Extreme Philosophical Positions

	<b>Positivism</b>	<b>Interpretivism</b>
<b>ONTOLOGY:</b> Nature of being. Nature of the world	Have direct access to the real world	No direct access to the real world
<b>Reality</b>	Single external reality	No single external reality
<b>EPISTEMOLOGY:</b> Grounds of knowledge/relationship between reality and research.	<p>Possible to obtain hard, secure objective knowledge.</p> <p>Research focuses on generalization &amp; abstraction.</p> <p>Thought governed by hypothesis and stated theories.</p>	<p>Understood through perceived knowledge.</p> <p>Research focuses on the specific and concrete.</p> <p>Seeking to understand specific context.</p>
<b>Research Techniques</b>	Formalized statistical and mathematical methods.	Primarily non-quantitative.

Source: (Carson *et al.*, 2001)

### 3.3.4 Philosophical background to Positivism

Positivism is a philosophical position that views social realities as a relation between different events, which depicts a relation between variables. Subsequent knowledge is generated by the means of comparative analysis between these variables (Lin, 1998). The basis of positivism starts with the ontology that there is a single external reality. This approach also assumes that the researcher has unmediated access to the real world. When it comes to the use of theory, it is argued that positivists use prior theories to arrive at a hypothesis. It also suggests a way to gain more knowledge from the world than we have experienced so far (Hollis, 1994). The positivist ontology views the world as external and objective therefore its epistemology belief is that the observers are independent from the research. The positivists look for the causes of the

social phenomena and attempts to investigate the causal relationship and the researchers remain detached from the object of study (Carson *et al.*, 2001).

The ontological consideration that is attributed with positivism is objectivism, which asserts that the meanings of a social phenomenon are not dependant on the interpretation of social actors that are involved (Bryman and Bell, 2007). Positivists propose that the properties of social world should be measured through objective methods. Such as, in the case where quantitative methods are applied, choosing a positivist philosophical position is particularly effective when there is large sample of data to be interpreted that requires statistical testing. Furthermore, positivism is usually of relevance to the policy makers who make decisions based on quantitative values (Easterby-Smith *et al.*, 2012).

### **3.3.5 Justification for not choosing a Positivist Approach**

The aim of this research is not to find the cause of the relationship or its effect on any other determinants rather it focuses on the interpretation derived from the individuals that are working in different working environment. Positivists do not believe that social realities are reproduced with meanings and interpretations derived from social actors therefore, they believe in one single reality, and they also refute making generalizations (Bryman and Bell, 2007). Whereas, Ritchie *et al.* (2013) explains that even to compile large number of data and reports, generalization is usually undertaken to reach a conclusion. Therefore, it is sometimes difficult to take only positivist approach for social scientists. Another weakness identified by Kothari (2004) against positivism is its heavy dependence on the facts that have been established and are authenticated by others. It relies on the rigidities of previous study findings because this approach considers those findings concrete, based on their facts and figures. Whereas qualitative researchers believe that the facts that have been established before can be accepted partially or fully but at the same time they can also be scrutinized again for and against particular studies (Easterby-Smith *et al.*, 2012). As it is the case with this research, the author believes that understanding agency-client relationships will be valuable in a particular context (i.e. in the banking and telecom service) and the prior theories will help and assist to explore more about the business

relationships. The positivist approach seems to be inflexible while understanding social construction and seems unsuitable for this research especially for the collection of data, this research relies on the interpretations of the practitioners that are working in the selected organizations. It is not presumed that there is one best way to explore the agency-client relationships in the given context as this area has previously been researched by several authors in the past from different perspectives. In this thesis, the previous research is taken as a guideline and to develop an understanding about the topic area.

### **3.3.6 Philosophical background to Interpretivism**

The interpretivist approach avoids the rigidities that are present in the positivist approach and the primary concern is to understand human behaviour. Interpretivism is associated with subjectivism where social scientists try to find out the subjective meanings from the research (Carson *et al.*, 2001). Weber *et al.* (1964) states that, subjective meanings are of three types. The first form is of actual intended meanings which are considered by the social actors, the second type is the appropriate or average meanings, these are the meanings derived by the researcher as it is understood, and the third type is the typical meanings, which are the exact meanings as described by the social actors or the research participants. The ontological consideration of interpretivism asserts that the meanings of social phenomenon are continually accomplished by the social actors that are part of the research. This ontological assumption of interpretivists is known as the '*subjectivist approach*' where interpretivists try to grasp the subjective meanings of the social interactions with actors that are involved in the research process (Bryman and Bell, 2007). This therefore distinguishes itself from positivism which focuses on the objectivity. What is investigated in this research is the interaction between business partners and the measures that effect their relationships therefore, it is concluded that this research is subjective in nature that is constrained by the types of organizations that are selected for the research (i.e. banks and telecom firms). By limiting and narrowing the scope of the study to the service sector and then further to the banking and telecom organizations, it is considered that the results will be more focused and meaningful.

Authors have incorporated many philosophical approaches under the umbrella of interpretivism such as: hermeneutics, humanism, relativism, phenomenology, naturalism and social constructionism (Blaikie, 2007; Ritchie *et al.* 2013). Interpretivism entails an ontology in which the social reality is explored by a process of interpretation by the researcher. In this research, their interpretation is recorded by interviewing the respondents in the selected organizations by conducting semi-structured interviews. The epistemology of interpretivism is derived from meanings that come out of the research process and then these meanings are developed into theories. Interpretivists believe that the socially constructed world is simply taken for granted by positivists whereas interpretivism considers this social construction as social reality or multiple social realities. Positivists do not become part of this social reality construction process and accept things for granted, whereas being an interpretivist, this research intends to discover the social realities by the researcher that becomes part of the social construction (Fuller, 2002).

In general terms, the difference between the two philosophical approaches is that, positivism is considered as theory testing approach whereas, interpretivism as theory building approach in which the researcher becomes a part of the social construction around him/her (Bryman and Bell, 2007). For this research, it is believed that the participants/respondents in the research process create social reality with a higher level of generality where as a researcher the author is not only relying on the facts and figures but also deriving meanings from the interpretations of the research participants' responses in the form of interviews.

Interpretivists assume that, to explore any social construction, the use of prior theories makes it easy for the researcher to explore a research problem. An understanding of social world can be made by observing individual actors that are involved in the construction of meanings derived from observations. During the observations, the respondents/participants produce meanings associated with the social construction or social phenomenon (i.e. B2B relationships) (Blaikie, 2007). Specifically, marketing is an ever changing and innovative business practice that requires up to date research and there could be much more information extracted from within the companies. As Webster (1992; 14) explains that:

*'marketers need to get inside companies and examine the multiple new forms marketing is taking.'*

A review of the literature in previous sections suggests that one cannot simply use existing views of market orientation as applied in other industries and there will always be a need for research to address the different social aspects to appear. Considering the weakness of interpretivism, Easterby-Smith *et al.* (2012) argued that primary data collection and its analysis can consume significant time, and data collection is difficult as compared to a positivist approach where there are quantitative statistical methods available to the researchers that can save time. This was the problem that the author also faced while interviewing the respondents, due to the reason of travelling to another country and arranging a suitable time to meet with the respondents.

Morgan and Smircich (1980) categorizes positivism as an objectivist approach to social sciences and interpretivist approach as a subjectivist approach. They further argued that while manipulating data with the quantitative approach, researchers freeze the social world into structured rigidity and thus reduce the role of human beings. Whereas, in the qualitative approach, researchers interact with the social world and they try to find out the viewpoint of others that are involved in the research. The positivist's viewpoint assumes that each person corresponds with an objective reality rather than subjective reality (Lacity and Janson, 1994). Positivists consult prior theories to arrive at a hypothesis and then they accept or reject it based on their findings whereas; interpretivists use prior theories at different stages of the research. They believe that the use of prior theories will help them to build a meaningful understanding of the social phenomenon under research. Researchers become involved in the life of social actors (Carson *et al.*, 2001). In this research, there is no testing of hypothesis required because the aim is not to accept or reject a hypothesis. Hence, prior theories that are relevant to the research topic are consulted at different stages of the research process. Ontologically the author adopts a predominantly subjective view of the world (as opposed to the positivist/objectivist approach); that is in line with the majority of studies in the relationship marketing literature (e.g. Dabholkar *et al.*, 1994; Beverland *et al.*, 2007; Fam and Waller, 2008).

### 3.3.7 Marketing Research and Research Philosophy

As with other philosophical approaches, Borch and Arthur (1995) suggests that where possible, multiple approaches should be used to add richness to the research. Whereas, Carson *et al.* (2001) argues that multiple approaches can be used but these should be taken within the large domain of interpretivism, specifically in the marketing research. The task for marketing researchers is not to measure facts and different patterns occurring from observations. They suggest that the researcher should explain the meanings that can be derived from actors' (participants') perspective and the researcher should figure out the contextual understanding and interpretation of data.

Tranfield and Starkey (1998) explains that the aim of any business management research must be to get the attention of practitioners. In this way, their research will retain more value and a purpose. Business research must have the ability to attract practitioners' attention so that they can use it in their business practice. However, other academic writers argue that business research should establish a grounded theory first before suggesting ways for practitioners. For example, Frege (2005) explains that business research is mainly concerned with 'fact-finding' exercises therefore, he suggested that business research must sufficiently guide the theoretical concerns first and when the theory is robust, it would be more useful for practitioners to follow the theory.

It is noted that relationship marketing (RM) epistemology draws heavily from the social sciences because business relationships are a social construct. In this respect, this study aims to develop a framework/model that will add to the existing theory of B2B RM and will act as a guideline for practitioners. In contrast with the interpretivist stance, Gummesson (1999) considers the RM as a theory generating type of investigation rather than theory testing type. According to Gummesson (1999), other forms of marketing such as transactional marketing and mass-marketing can be looked from the positivist approach however, RM is purely a qualitative field of enquiry. In addition to that, most of the studies on RM from Nordic literature carried empirical research on companies based on qualitative case study approach (e.g. Aijo, 1996; Ford *et al.*, 2011). It is noticed that in the RM research, the fundamental unit of analysis in marketing should be the market interaction between two or more parties (Seth and Parvatiyar, 1995). However, the interaction between two or more business partners

cannot be the same all the times, suggesting that interpretivist philosophical approach is more suited for this research which attempts to explore multiple social realities.

### **3.3.8 Association of Interpretivism with Induction**

Interpretivist approach mainly falls within the inductive research strategy where it starts from specific observations, which leads to theory development (Carson *et al.*, 2001). The researcher should know how he/she is going to get the answers to the questions that are raised. If the research is about investigating a social phenomenon, it should be made clear how the researcher will discover, describe and explain the phenomenon or research problem under investigation. In short, the researcher should adopt a research strategy in the initial stages of the research. The researcher should know whether to go for observations or data gathering first. Inductive strategy starts from observations and from these observations, knowledge is generated. Inductivists derive theories from the observations and these theories are considered as a contribution to the existing knowledge in the field of inquiry (Chalmers, 1999).

As discussed earlier, by selecting interpretivism as a philosophical position will contribute to the existing theories better than positivism because interpretivists look mainly into the change process of any particular phenomena over the time and therefore, contribute to existing theories. Inductive approach looks for evidence to confirm the generalisations made by qualitative researchers (Carson *et al.*, 2001).

Differentiating between induction and deduction, Blaikie (2007) argues that inductivists make a distinction between observational language and theoretical language whereas deductivists deny the existence of observational language because in deductivism these observational languages depend on the existing theory, which according to deductivism is considered as robust and valid. Whereas, following an inductivist approach and the line of interpretivism, the author believes that there is always a need for improvement in the existing theories and no theory is robust and conclusive. Therefore, the existing theories will be scrutinized in the case of relationships between the marketing agencies and clients in the selected service sector organizations.



### **3.4 Data Collection Instruments**

#### **3.4.1 Justification for choosing Semi-Structured Interviews**

Many authors support the use of the semi-structured interviews as part of qualitative research approach. Ghauri and Gronhaug (2005) for example suggest that qualitative research methods use relatively qualitative techniques for data collection such as, semi-structured interviews and conversations with the research participants. Although there are several research methods present in the existing literature for conducting a qualitative study such as ethnography, grounded theory, participant observation, focus group and sense making. However, 'semi-structured in-depth interviews' are selected for this research. After a careful consideration, semi-structured interviews are selected based on the researcher's own view of understanding the social relationships and by exploring the previous studies on business relationships that have employed interviews as the primary method to collect data from the research participants (e.g. Halinen, 2012). By choosing the philosophical position of an interpretivist where the research techniques are mainly qualitative, interviews as the main method for data collection seems to be the most appropriate method for this research. Furthermore, the research question that is being investigated is a key gauge of whether one should or should not use in-depth interviewing (Morris, 2015). In order to cover a topic area in depth, semi-structured probing questions or interview themes are designed to leave the informants free to respond, as well as it allows the researcher to add supplementary questions to probe the content of responses given and to facilitate between cases comparisons. While keeping the research questions in view, it is therefore decided that the research questions will be better addressed by asking the respondents to talk freely and in-depth about the area of interest of the researcher.

Interviews are commonly used as a research method in psychology and social sciences disciplines. In addition, interviews are used as the primary source of data collection where the researcher wants to investigate a real-life phenomenon and the social interaction between the actors that are involved in the research (Baxter and Jack, 2008). It was observed after reviewing the previous literature that the research topic is an under-theorized area of study and does not fully address the service sector organizations particularly in the context of a developing country such as Pakistan. The

research objectives are formed with an intention to address the aim of the study and also to address the gaps in the existing literature. Eisenhardt and Graebner (2007) suggests that an interview allows for exploration for an under-theorized area of study and the information gathered from the interviews allows an in-depth knowledge about the social enquiry. There are mainly two types of interviews as described by Bryman and Bell (2007) i.e.:

- Structured interviews
- Semi-structured interviews

For this study, semi-structured interviews are selected as a primary source for data collection. Semi-structured interviews are chosen for this research because it is more flexible as compared to structured-interviews meaning that, detailed and rich answers were expected as the interviewee can talk freely without providing any detailed guidelines and they can discuss their own opinion. The questions that are asked during a semi-structured interview are open-ended, meaning that the respondent can freely talk about the topic under investigation however the researcher's role is to make sure that the respondent talks freely about the interview topic (Bryman and Bell, 2007).

The strength of an interview is that it focuses directly on the topic of inquiry and provides insights of the operations in an organization. Saunders *et al.* (2007) asserts that an interview with a company's manager provides insight into a company's activities and the managers tend to share more information during an interview session as compared to other data collection methods. Gillham (2000) suggests that interviews should look like naturally occurring conversations and the researcher has to follow the line of inquiry and the questions should be unbiased. Keeping this in mind, the researcher's role as an interviewee was basically to allow the respondents to speak about the interview topics in which the researcher was interested.

Saunders *et al.* (2007) argued that semi-structured and in-depth interviews are used in qualitative research not only to reveal and understand the 'what' and 'how' questions, but also to place more emphasis on explaining the 'why' questions. In a broader context, the premise of this research is about why agencies and clients develop relationships and how they manage their relationship and what are the key determinants that are essential in their relationships.

### **3.4.2 Development and Application of the Interview Protocol**

The interview exercise comprised two stages. In the first stage, the interview topics were formed with the help of the conceptual framework (figure 2.6). Although a structured form of questions is not required for semi-structured interviews, a framework of research themes and interview topics were written on a paper as an interview guide while interviewing the participants to ensure that each and every topic area was covered during the interview. The respondents were asked to explain more when it was felt that more explanation was required. In the second phase, after interviewing the respondents, all the interviews were transcribed into a word file. Kvale and Brinkmann (2009) notes that a transcript is to transform or change one form into another form and in this case, it is the change of the audio into a written form. It was considered worthy to transcribe the interviews after recording them despite the significant amount of time this process took as it becomes easier to analyse on qualitative data analysis software such as NVIVO.

The period for the field research was between December and January 2015-16. Observations in the field also supplemented the data collection such that, it was observed that some of the marketing agencies that were specifically working for the telecom companies had setup and dedicated their whole office for the telecom company that is their client. It was also noticed that in the relationship between telecom companies and their marketing agencies, their employees had closer relationships as compared to the relationships between the selected banks with their marketing agencies. Such that the employees of the marketing agencies that were working with the telecom companies had daily meetings in the morning with their clients. That is why the interviews conducted with them were in the evening or after office hours.

Before actually going for the field research, the employees with whom the researcher had personal contact were contacted. In this way, they allowed access to the relevant people in the selected organizations. The respondents were shortlisted before going for the field work, and some of them were not interviewed because when they were told about the research in detail, they recommended another person who they felt would be more relevant and could provide more insights into the relationships.

The respondents were asked to talk freely about their relationships so that it did not limit their response. The interviews lasted between 20 minutes and one hour ten minutes and were audiotaped. Leech (2002) suggests that in the start of the interview, the interviewee should start by explaining them about the research project and by doing so, the respondents feel easy and comfortable. Therefore, before the interviews were recorded, the researcher started up by engaging in a small talk to put the interviewee at ease by self-introduction, how the firm was selected, and the purpose of the interview. To prevent the danger of response bias and reluctance to talk about sensitive or confidential information or critical aspects, the interviewees were reassured confidentiality, anonymity, and non-attribution of the data that was collected from them.

The interviews were carried out with senior personnel within the selected banks and telecom companies. Interviews were also conducted with the account directors and creative directors of the selected marketing agencies (see table 3.4 and 3.5 for the details regarding the respondents). Some of the research participants were selected based on the researcher's personal contacts in the organizations and marketing agencies and the rest were contacted with the snowball method of recruitment.

All the interviews (except one) were conducted in English as it is the office language in Pakistan. Most of the participants were well educated from English speaking countries (see table 3.4 and 3.5). One interview was conducted in Urdu (the national language of Pakistan). This interview was later translated by the researcher into English and then transcribed.

Other types of data were collected in the form of secondary data which includes, the information from the telecommunication authorities and banking authorities in the country, relevant information from the Pakistan Advertising Society (PAS), All Pakistan Newspaper Society (APNS) and information regarding the selected companies and marketing agencies from their websites. However, semi-structured interviews served as the main form of data collection for this research. The secondary information helped in analysing the findings of this research by using the information from such sources which provided useful information regarding the policies of marketing agencies, the number of clients of the selected marketing agencies and other relevant information that is presented in the findings chapter.

### 3.5 Sample

Twenty-one face-to-face semi structured interviews were conducted from the respondents belonging from the selected marketing agencies and their clients from the selected banks and telecom companies in Pakistan. As discussed in Chapter 1, the problem background refers to Pakistan, therefore the sample is self-evident. Pakistan is considered as a developing country and its service sector has a major share in the overall economic growth of the country (The World Factbook, 2017). Also as discussed earlier in Chapter 1, banking and telecom sector in Pakistan are among of top in the list in terms of spending on marketing of their services. More spending on marketing also indicates that these organizations are expected to develop and maintain collaborative relationships of some kind and obtain the collaborative advantage with their marketing agencies.

In terms of marketing in a country context, the existing literature suggests that the marketing environments of the developed countries and developing countries are different and that there is no assurance that the existing research on agency-client relationships that is carried out in the developed countries is completely applicable to a developing country, such as the case of Pakistan in this research (Raymond and Lim, 1996; Czinkota and Ronkainen, 2013). It is argued that there are several influencing factors which play a significant role in the way businesses are managed in developing and developed countries such as; some of the developing countries have restrictions on media, changing cultural, political and legal conditions and the level of competition differs as that of developed countries (Shao, 1996; Czinkota and Ronkainen, 2013). Furthermore, it is also argued that international advertising standardization may be applicable to cluster countries on the basis of their cultural similarities as in the case of many western countries (Harris, 1994; Wei and Jiang, 2005). However, in the case of Pakistan, the international advertising standardization is not practiced to that certain level as compared with the most western countries due to the differences in cultural norms, restrictions on media and consumer literacy rate. Therefore, based on this research, the conclusions drawn will prove a useful tool for other marketing agencies, telecom firms and banks in the country as well as in the regional context (South Asia) with similar market context. Further details about the country context have been discussed in Chapter 1 (section 1.5) titled as 'research participants and focus area'.

From another perspective, this research addresses some of the major concerns that are faced by the local marketing agencies in Pakistan, out of which the major concern is regarding the entry of foreign marketing agencies into the Pakistani market. The Pakistani marketing agencies consider this as a threat to their existence because foreign marketing agencies bring a wealth of foreign market experience and resources. Their entrance into the Pakistani market is seen as a threat to the existing agencies that are present in the country (source: Pakistan Advertisers Society, 2016). In this sense, this research is timely in the sense that it provides an in-depth analysis into the client's selection criteria and various factors that have influential role in their relationship. Based on the findings, the marketing agencies can align their business operations and working relationships to suit the client's requirements in both sectors and strengthen their business relationships.

A non-probability purposive selection technique is used for data collection. Following the procedure of data saturation, which refers to the situation where additional interviews do not yield any additional data or themes (Glaser and Strauss, 1967), these interviews were considered sufficient to analyse and generalize the findings. Guest *et al.* (2012) also refers to the concept of 'saturation' and suggest that for a qualitative study, the selection for number of respondents mainly relies on the point at which no new information or themes are observed during the collection of data. Based on their study they suggest that for a non-probability selection of respondents, the basic elements of themes are present as early as in the six interviews. Furthermore, Marshall (1996) and Small (2009) suggest that non-probability approach for the selection of respondents is more suitable in the qualitative in-depth research which focuses to understand the social phenomena under investigation.

Considering the presence of the service sector firms in the country, there are five telecom service providing companies. All these telecom companies were included in the research. However, there is no other bank (except the three selected banks) that have their head office in the capital city of Pakistan (i.e. Islamabad). The respondents were selected based on their roles in the selected organizations such that they deal with marketing agencies for the planning and implementation of marketing communications for their organizations. The respondents were selected based on the criteria that merits their involvement in the relationship between the marketing

agencies and clients. On the client's side, all the respondents belonged to the marketing departments in the organizations and they were designated senior positions where they had the authority to take decisions in the marketing strategy and planning. On the other hand, the respondents on the agency's side were selected that had direct contact with their clients and these people had a key role in the planning and implementation of marketing communications on behalf of their clients. To ensure confidentiality and anonymity, the participants' names were changed. The following tables presents the details about the research participants.

Table 3.4 Profiles of People Interviewed in the Marketing Agencies

<b>Respondents</b>	<b>Job title</b>	<b>Organization</b>	<b>Gender</b>	<b>Education</b>
<b>1. Adil</b>	Creative Manager	Agency for bank	Male	MSc-Marketing
<b>2. Saad</b>	Creative Manager	Agency for bank	Male	MA-English
<b>3. Rehan</b>	Creative Director	Agency for bank	Male	MBA-Finance
<b>4. Sameer</b>	Account Manager	Agency for telecom	Male	MBA-Marketing
<b>5. Rizwan</b>	Creative Director	Agency for telecom	Male	MBA
<b>6. Salman</b>	Creative Director	Agency for bank	Male	MBA-Marketing
<b>7. Adnan</b>	Senior Account Manager	Agency for telecom	Male	BA-Mass Communications
<b>8. Umair</b>	Account Manager	Agency for telecom	Male	BBA-Marketing, MSc-International Business & Management
<b>9. Usman</b>	Creative Manager	Agency for telecom	Male	MSC-HR
<b>10. Amir</b>	Creative Director	Agency for telecom	Male	Intermediate (A-level)



Table 3.5 Profiles of People Interviewed in the Organizations

<b>Respondents</b>	<b>Job Title</b>	<b>Organization</b>	<b>Gender</b>	<b>Education</b>
<b>1. Zahid</b>	Regional Corporate Head	Bank	Male	Masters in banking & commerce
<b>2. Ali</b>	Senior Relationship Manager	Bank	Male	MBA-Marketing
<b>3. Saima</b>	PR Executive	Bank	Female	BBA-Marketing
<b>4. Hassan</b>	Branding Analyst	Bank	Male	MBA-Marketing
<b>5. Sami</b>	Assistant Manger	Telecom	Male	BBA-Marketing
<b>6. Bilal</b>	Assistant Brand Manager	Telecom	Male	BBA-Marketing
<b>7. Junaid</b>	Senior Manager Outreach & Information	Telecom	Male	BA- Communications Graphic design
<b>8. Omar</b>	Assistant Vice President	Bank	Male	BS-Computer Sciences
<b>9. Sara</b>	Brand Manager	Telecom	Female	MBA-Marketing & Finance
<b>10. Fawad</b>	Head of Brands	Telecom	Male	MBA-Marketing
<b>11. Asim</b>	Head of Communications	Telecom	Male	MBA

### 3.6 Data Management (Recording and Transcribing the Interviews)

Audio-recording qualitative data collection events is a common practice, as it compensates for limitations of human memory and note-taking abilities (Fitzpatrick and Boulton, 1996). The majority of the interviews took place at the research participant's place of work. The interviews were tape recorded with the consent of each respondent. Considering the issue of ethical concerns from the respondents regarding the recorded interview, a guarantee of anonymity was given to each interviewee. The interviewees were reassured that if there was a particular issue that they wished not to answer or to turn off the tape recorder, they could do so as they were not bound to participate in the research. The recorded interviews were later transcribed onto a word file. Although this was a time-consuming effort however, as Guest *et al.* (2012) argued that when done properly, transcription makes the analysis easier and provides more analytic opportunities for the researcher to explore more themes and findings from the interview and the transcripts can be scrutinized more quickly than tapes. Therefore, transcription of data made it easy to analyze the data at the later stage of the research.

Semi-structured interviews seek to allow for respondents to elucidate their experiences in their own terms. In practice, the interview must focus around areas pertinent to the research issue whilst allowing for the subject to raise new issues that the researcher may not have considered (Easterby-Smith, 1991). The main focus of the interview was around the relationship that the agency and clients have developed. The researcher was also interested in knowing that how the respondents have experienced in the past about their relationship with their business partner. In the start of the interview, the respondents were asked about their education and job title in their organizations. This enabled the interviewee to become comfortable talking about a familiar and factually grounded subject. The inquiry about sensitive topics such as, the conflicts in their relationships or the satisfaction level from the work of their partner, such issues were not asked in the start of the interview and were left at the end of the interview.

Keeping in view the key principles and procedures for conducting a qualitative research ethically as described by (Morris, 2015), some of the respondents wanted

assurance that their identities would be kept confidential. Therefore, they were assured about the confidentiality of their names in the research report. They were told that their company's name would be mentioned in the thesis however, their identities and their affiliation with their organizations will be kept confidential. All the respondents were also told before starting the interviews that no sensitive matter such as their advertising budget, the respondent's age and the money the agencies had received or the organizations had paid to them would be asked. Other than this, they were asked to simply ignore to answer or reply to any interview topics that they did not want to answer. However, at no point during the interviews, did any respondents refused to answer.

Before the start of the interview, all the respondents were told about the research focus and objectives of the study. Some of them asked for further explanation, so they were showed the conceptual theoretical framework that shows the stages in the agency-client relationships. The purpose was to give them an idea about the focus of the interview and the types of questions they will be asked.

Dividing the set of interview topics into sections can be helpful while interviewing (Morris, 2015) and also considering the conceptual theoretical framework of this research that shows four stages of the relationships, the sections were divided into four sets such as;

- The first set of interview topics were mainly focused on the selection of marketing agencies.
- The second set of interview topics focused on asking the respondents about the initiation of the relationship.
- The third set of interview topics were set to ask the respondents about the continuation of their relationship and the factors that effects their relationship.
- The fourth set of interview topics were based on the dissolution of their relationship.

Initially it was decided that during the interview, the questions will be asked in a hierarchal order which would start from the background information of the respondents, the selection criteria of the clients, the key determinants of the

relationship and the factors that form conflicts in their relationships. However, when the respondents started talking about the topics, it took a shape of a conversation rather than a questions/answer session. Some of the respondents even reversed the questions that were asked. For example, when asked about the creativity of the agency, one of the respondent from the agency's side, said that it would be better if this was asked of the creative manager in the agency. Therefore, the discussion topic was skipped and later asked from the creative manager. Similarly, when asked about the contract, one respondent suggested that the specific question should be asked of the creative director of the agency.

### **3.6.1 Observations**

Observations and interviews are the most prominent methods of data collection in a qualitative study. However, implicit features in the social life are more likely to surface in the participant observation (Bryman and Bell, 2007). It was felt that observations would enable the researcher to get the inside perspective into the various dimensions of the relationships between the marketing agencies and their clients. Being there in the field, other than recording the interviews, observations were recorded as notes.

Bryman and Bell (2007) present six types of observation research. For this research the two types that are considered are: The Participant observations and the non-participant observations. The participant's observations were considered where the researcher observed the respondents when they met with counterparts from the marketing agencies. Non-participant's observation was considered where the researcher observed the location of the clients and their marketing agencies, the office setting of the clients and their marketing agencies. These factors were important to include in this research as these factors effect on the relationships between the marketing agencies and their clients, as it will be discussed in the findings chapter.

### **3.6.2 Documentary Review**

Documentary evidence is a collection of heterogeneous sources of data that include various kinds of external documentation such as organizational reports, websites, press releases etc., (Bryman and Bell, 2007). Such material provided the researcher with valuable information that served different purposes to analyse the research

findings. The documentary information helped to corroborate information that was derived from interviews and observations and form arguments and conclusions.

### **3.6.3 Quality of the Research**

For a qualitative study, a researcher should be aware of quality issues of the research by explaining and convincing the issues of credibility and trustworthiness of research. Unlike the quantitative researchers, the qualitative researchers seek understanding, and exploration of a social phenomenon and their research is considered as trustworthy and credible when they demonstrate findings of the research based on the research process that is credible. Therefore, being a qualitative researcher it is believed that it's required to demonstrate explicitly that this research is transparent, trustworthy and credible.

### **3.6.4 Credibility of the Research**

Patton (2001) argues that in quantitative research, the credibility of the research depends on the 'instrument construction' whereas, in a qualitative research, the researcher is the instrument. Golafshani (2005) supports this argument and explains that the quantitative researchers can speak for their research credibility whereas, in the qualitative research, the credibility/reliability of the research depends on the ability and efforts of the researcher.

To verify the credibility of a qualitative research, Morse *et al.* (2002) explains that if the principles of qualitative research inquiry are followed, then analysis is self-correcting. They describe that a good qualitative researcher moves back and forth between the research design and the implementation to make sure that there is a congruence between question formulation, literature, selection of respondents, data collection strategies, and data analysis. Further, they have explained five key verification strategies that help to validate and make the research more credible. These are:

- Methodological coherence
- Research participants must be appropriate
- Collecting and analysing data concurrently
- Thinking theoretically

- Theory development

Morse *et al.* (2002) suggest that together all of these verification strategies incrementally and interactively contribute to and build reliability and validity, thus ensuring rigorous qualitative research.

Considering the first verification strategy, the justification for choosing 'semi structured' interviews has been discussed in the previous section that ensures the congruence between the research question and the components of the method. Considering the appropriateness of the respondents/research participants for this research, the respondents were chosen that have knowledge of the research enquiry. Their role and job title in the selected organizations (i.e. the marketing agencies, banks and telecom companies) is evidence of their suitability for taking part in this research. Morse *et al.* (2002) suggest that the collection and analysis of data should be done concurrently however, as the data was stored on the voice recorder and due to the limited time the researcher had at the field, this was not possible to analyze the data at the same time when interviews were conducted. By thinking theoretically, Morse *et al.* (2002) means that the researcher should go back and forth to link existing literature/theories while analyzing the data. This process was followed by constantly comparing and linking the findings to the existing theories in Chapter 5 of this thesis. Lastly, as an outcome of the research, a logical framework/model was developed that adds and contributes to the knowledge of the existing theories in the RM literature.

### **3.6.5 Trustworthiness and Transparency of the Research**

Several authors have used the terms such as validity and reliability for qualitative research (e.g. Johnson, 1997; Patton, 2001; Golafshani, 2005). However, from the perspective of an interpretivist paradigm, Shenton (2004) argues that these concepts such as, reliability and validity cannot be addressed in the same way in the qualitative research from an interpretivist's viewpoint. Furthermore, Carson *et al.* (2001) argued that the discussion about the reliability and credibility of qualitative research is based on the choice of the philosophical position that the researcher takes to conduct the research. Considering the philosophical position of an interpretivist, they suggest that the discussion about the reliability and credibility of the research is based on the logic of 'trustworthiness' and the research is considered as 'trustworthy' when the

researcher demonstrates 'transparency' in his/her research. The researcher should make this explicit that his/her research reflects the respondent's viewpoint.

Transparency is a vital dimension in the value of interpretive qualitative research methodologies used for research in dynamic marketing circumstances (Carson *et al.*, 2001). Transparency is needed most in the findings of the research where the researcher clearly describes and explains of why a given interpretation is made. They suggest that transparency can be further strengthened by linking the interpretation of the findings to prior theory and to any conceptual theory building in the research. In this research, in the analysis of the data, the existing theory is consulted throughout the analysis procedure to negate any bias of the researcher and also to assure the transparency of the findings.

Williams and Morrow (2009) explain the concept of validity of the qualitative research with trustworthiness. Transparency means that the researcher gives a clear description of data collection procedures and data analysis methods and a clear description of the interpretation of the data is discussed. They argue that the terms of validity and reliability stem from the quantitative research and these terms should not be used in a qualitative research because the epistemological underpinnings, procedures and processes of the research paradigms of qualitative research vastly differ from each other. They suggest three major categories of trustworthiness that the qualitative researchers must consider. i.e.:

- integrity of the data,
- balance between reflexivity and subjectivity
- clear communication of findings.

By integrity of the data, they refer to the dependability of data by clearly articulating the methods. This means, clearly describing the methods of the data collection, not necessarily the participants or the research findings. This allows other researchers to use the same methods in the same context and then data can be verified. Furthermore, Shenton (2004) argues that, in-depth methodological description leads to the trustworthiness of the research that allows study to be repeated. In this research, the description about the data collection procedure and its relevance for this

research is described in the 'interview protocol' section that clearly explains the data collection procedures, transcription procedures and data analysis procedures. In addition, there is justification provided about the data collection and data analysis procedures with support from previous studies that support the selection of methods in this research. For the integrity of data, Williams and Morrow (2009) refer to the saturation point of the data which is also taken into consideration while selecting the number of research participants as discussed earlier. Finally, to establish integrity of data, they suggest that evidence should be presented as to how the interpretations fits the data. In this research, direct quotes are used to exemplify the interpretations presented by the respondents.

By managing the balance between the reflexivity and subjectivity, William and Morrow (2009) refer to the balance between the research participants' meaning and the researcher's interpretations. They suggest that, to maintain the balance, the researcher should avoid any bias towards the research by not asking the questions in a particular way that influences on the participants' answers. To avoid this bias, the researcher presented themes/topics to the respondents rather than straightforward questions. This allowed the research participants to speak freely and in-depth about the topic of inquiry. Where required, the researcher asked the questions that relate to the questions which start from 'how' and 'why'. By following the guidelines of other authors on qualitative semi-structured interviewing, the researcher designed the interviews in such a way that negate the influence of the researcher on the responses of the research participants.

In the third category of trustworthiness, William and Morrow (2009) mean not only clearly communicating what the study has found but also why it matters. They argued that the researcher has to clearly communicate to the reader the findings such that the practitioners and academics can benefit from it. In other words, the research should be worthy to other people. To address this issue, the analysis of the findings and the major contributions of this research are discussed in Chapter 5 of this thesis.

### **3.7 Analysis Procedure**

For undertaking a qualitative analysis, it is argued that the researcher is the main tool for analysis (Denzin and Lincoln, 2005). There are many computer assisted qualitative



data analysis softwares (CAQDAS) available for a qualitative researcher such as, Atlas-ti and NVIVO however; these softwares work just as a supplementary tool for the researcher to assist in the analysis (Leech and Onwuegbuzie, 2011).

Maxwell and Miller (2008) present three options for the analysis of qualitative research:

- Memos
- Categorizing strategies (such as thematic coding/analysis)
- Connecting strategies (such as narratives, case studies and ethnographic micro analysis)

Out of these, thematic analysis coding was chosen for this research and NVIVO was used as a CAQDAS tool. Thematic analysis is most useful in capturing the complexities of meanings within a textual data set. It is also the most commonly used method of analysis in qualitative research (Guest *et al.*, 2012). Furthermore, the researcher recognizes that the most suitable and appropriate method of data analysis depends on the research aim, objectives and the nature of the data that is collected from the research participants. Therefore, after reviewing the procedures for qualitative data analysis, it was decided that thematic analysis approach will be adopted for analyzing the data.

The following framework by Braune and Clarke (2006) was used as a guide for analysing the gathered data in this research.

Table 3.6 Framework for doing Thematic Analysis

Phase	Description of the process
1. Familiarizing yourself with your data	Transcribing data (if necessary), reading and rereading the data, noting down initial ideas.
2. Generating initial codes	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes	Checking in the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic “map” of the analysis.
5. Defining and naming themes	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells; generating clear definitions and names for each theme.
6. Producing the report	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

*\*Source: Braune and Clarke (2006)*

An ‘audit trail’ of the analysis process enhances the transparency of qualitative research and represents good research practice (Miles and Huberman, 1994). Flick (2009) has suggested a stepwise thematic analysis procedure where the first step is to produce a stepwise description of each case or interview in regards to the central topic of inquiry. The second step is the deepening analysis of each case. This analysis preserves the meaningful relations of the person’s conversation during the interview

and relating it to the topic of study. After this, a thematic coding is formed with several categories for analysis. Maxwell and Miller (2008) suggest that the researcher has to revise the outputs to determine whether any meaningful patterns are emerging. For developing meaningful patterns, backtracking was performed by connecting the themes to the original research focus.

Qualitative data comparison seeks to draw attention to the difference between the similarities and differences between the data to carve out diversity and similarity (Lewis, 2003). The interviews were transcribed with the help of NVIVO, where coding was done. Coding is a way of indexing or categorizing the text in order to establish a framework of thematic ideas about it (Gibbs, 2007). All the passages with same label were combined that represent the same context. Doing this on NVIVO enabled the researcher to examine the data in a structured way. It also helped to analyse and compare the gathered data. The use of software (NVIVO) made it much easier to retrieve the sections while analysing the data.

In the coding process, the researcher undertook '*data driven/open coding*' and '*concept driven*' coding. Gibbs (2007) describes data driven coding as the type of coding where the researcher generates codes from the data and in concept coding, the researcher generates codes from the existing literature. Both types of coding procedures were used because the semi-structured interviews were conducted keeping in line with the concepts/determinants that were identified in the previous literature and that were presented in the conceptual theoretical framework. However, it was noted that new codes also emerged from within the interviews. In this case, the conceptual theoretical framework developed from the literature review acted as a guide that allowed the researcher to generate the concept driven codes. With the help of NVIVO, the codes were then retrieved and the codes that represent the similar themes were merged together. The coding on the software (NVIVO) also helped to make it easy to retrieve all similarly coded text without decontextualizing and losing any information about where the text came from.

### **3.7.1 Selection of Themes**

All the relevant data was collated to each theme. Initially 28 themes emerged after coding the data including the previously identified themes in the existing literature. As

presented in Chapter 2 (table 2.3) 12 themes were developed that directly link to the existing literature. Some of the new themes were formed because the respondents talked about the marketing of services from two different perspectives (i.e. banking and telecom sectors perspectives). Therefore, the emergence of new themes explored the relationships perspectives from two different sectors (i.e. the banking and telecom sector). Similarly, the existing literature highlighted the role of 'proactivity' in B2B relationships. However, while coding the data gathered through interviews, the respondents talked about the proactivity from the perspective of the marketing agency. Therefore, two different themes emerged to distinguish between the client and agency's perspective, one addressing the agency's perspectives and the other addressing the client's perspectives. The details about the existing themes and newly emerged themes from the data are presented in the next chapter titled 'Results', where it becomes easier to distinguish between the existing themes and new themes that emerged from the findings of this research.

### **3.8 Chapter Summary**

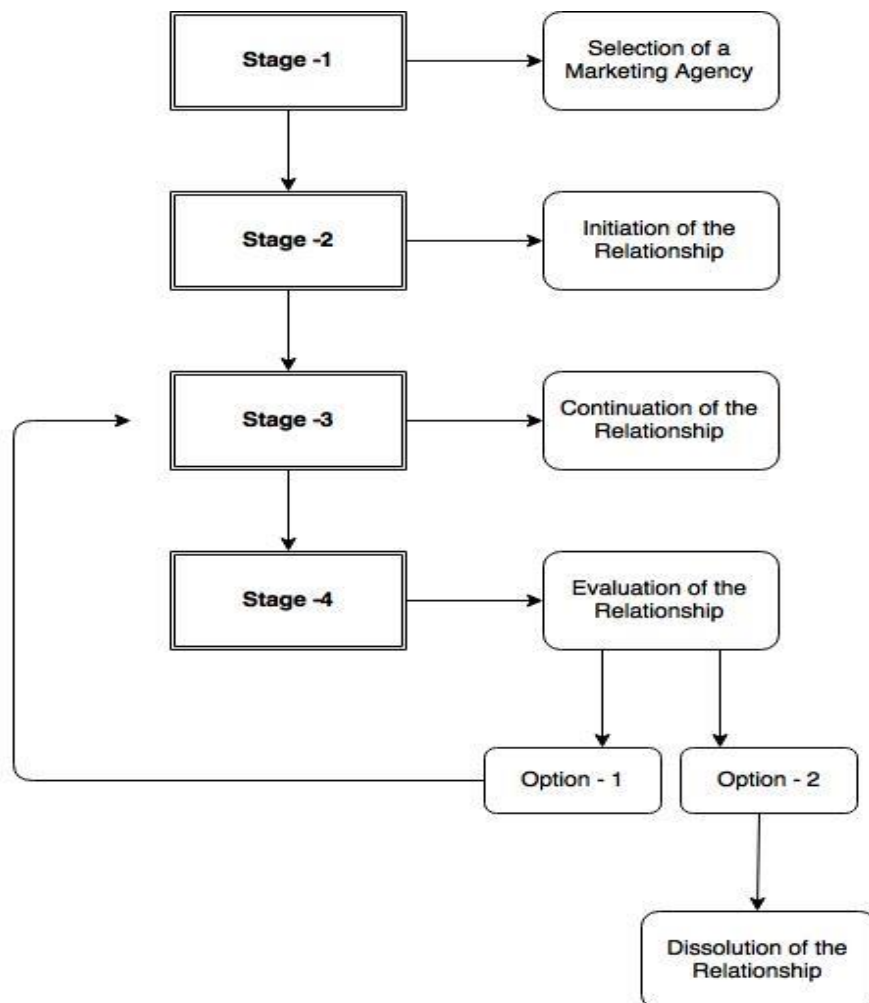
This chapter has provided the philosophical background to the research. Further, this chapter has described the different research methods and provided justifications for choosing a qualitative research method. The purpose of semi-structured interviews was explained along with the rationale to use them in this research. Furthermore, the design of semi-structured interviews is described with the procedure of analysing the collected data using standard tools. This chapter also provided details of the quality procedures and other data gathering activities (i.e. observations and documentary review) that were carried out to complement the semi-structured interviews. Finally, the interviewees were introduced to show their relevance with the topic of the research and support for the credibility of the gathered data for achieving the objectives of this research is also provided. The next chapter will present the findings based on the gathered data for this research.

## Chapter 4

### 4. Results

This chapter presents the analysis of the findings based on the stages of agency-client relationship that are identified in the initial conceptual theoretical framework in Chapter 2 (Figure. 2.6) and as shown below in (Figure 4.1). Based on the findings of this research and the emergence of new themes that are identified in this chapter, a refined framework is devised with key determinants addressing each stage of the relationship, which will be presented in this chapter. Therefore, the following model will be developed further as the findings of this research will emerge from the data. In the next chapter (chapter 5), the final analysis of the findings includes putting results in the context of literature and relating back to the research question and objectives of the study to produce a scholarly report.

Figure 4.1 Conceptual Model Representing Stages in the Agency-Client Relationship



This chapter presents the themes that emerged from the semi-structured interviews, observations and documentary evidence. As presented in Chapter 2 (table 2.3) 12 themes were developed that directly link to the existing literature. The analysis of findings also resulted in the emergence of various themes. Each theme was extracted from the data based on the concept of 'open-coding' and 'concept driven' coding (Gibbs, 2007). The quotes from the interviews are presented that represent and address the specific theme under discussion. In order to improve readability, some minor changes have been made to the verbatim extracts. Such as, an ellipsis (...) denotes a pause in speech or an omission of text that is considered repetitive or irrelevant by the researcher. To illustrate the affiliation of the respondents with their marketing agencies, the term 'AB' represents the affiliation of respondent with the marketing agency that works for the bank, similarly the term 'AT' represents the respondent's affiliation with the agency that works for the telecom firm. Some of the themes that existed in the initial conceptual theoretical framework and that also appeared in the findings of this research, their titles were changed to make it clearer to the reader to understand its meaning in the context of the study. For example, one of the themes titled as 'network of relationship' appeared in the existing literature and this theme also appeared in the findings of this research, therefore the title of the theme was changed as 'network of the agency'. The purpose was to make the findings more meaningful in the context of the study.

#### **4.1 Stage 1- Selection of a Marketing Agency**

This section encapsulates each of the participants' viewpoint about the selection of a marketing agency. Most of the interviews started with the conversation where the respondents explained the criteria for the selection of a marketing agency and the factors that the respondents consider important when making any decision for the selection of a marketing agency. The viewpoint of both parties (i.e. clients and agencies) was taken into account. More in-depth information was acquired from the respondents that belonged to the client's side, since they are the people who make the decision for hiring a marketing agency. However, some of the respondents from the selected marketing agencies also provided useful information into the client's preferences about the selection of a marketing agency that is presented in the following discussion.

The evidence from the interviews suggests that the procedure to select a marketing agency is the same for both banking and telecom firms, where they first open a pitch to the marketing agencies that are present in the market. After examining the portfolio of the marketing agencies that show their interest in working with the client, the client gives a set of challenges to the agencies that are shortlisted by the client. The selected agencies then give a presentation to the client where they present solutions for the client against the set of challenges that are given to them. Based on the characteristics of the agency and their presentation, the clients make their decision to select the most appropriate marketing agency that suits their requirements. One key advantage of being there in the field was that, this selection process of an agency was personally observed where one of the shortlisted agency personnel came to the (Khushali) bank for giving a presentation to the marketing team of that bank. They were being assessed by the client on their presentation and later on, the research participants from that marketing team explained (in the interview) their criteria based on which they were accessing that marketing agency.

It emerged from the interviews that the needs and requirements for hiring a marketing agency are basically sector specific meaning that the requirements are different for each sector and it is also need driven. For example, Usman who works in a bank explained that his key requirement is to hire a marketing agency that has its presence in all major cities of the country. However, in the telecom sector, there appears to be no specific need for the clients to hire an agency that has presence in all across the country. As Usman describes:

*"...there are many factors that are important but then we have to prioritize all the factors according to our needs. Yes, experience is important but if they have the skills that overcomes their experience then we will go with that. It is all about what we are demanding and what they are giving to us. It could be a mixture of all certain qualities that we are looking in them or it could be something else. As in this present time, as I told you that we are in the process of hiring a new agency, we need an agency that has its presence in all the major cities of the country. Therefore, we would want an agency that has the reach to most of the areas of Pakistan". (Usman, Bank)*

Specifically, in the banking sector, it appears that other than working with the same marketing agency, banks hire other marketing agencies for specific purposes e.g.

designing a particular marketing campaign rather than working with the client for all of its marketing campaigns. Another respondent explained that the selection of a marketing agency is undertaken based on the needs and requirements that their bank has at any specific time;

*“...we might hire another agency that has more expertise in the social media advertising, so it depends what we need at that specific time”. (Omar, Bank)*

Although the respondents provided a number of reasons that they consider while selecting a marketing agency (stage 1 of agency-client relationship), the five key themes that emerged from the interviews and observations relating to the selection of a marketing agency are presented in the following figure (figure 4.2). In discussing the factors for the selection of a marketing agency, most respondents (i.e. clients) seemed to agree that the range of services provided by the marketing agency is more important to them. Therefore, the strongest theme to emerge in the first stage of relationship was the *‘range of services offered by agency’*.

It is noticed that some of the components in the first stage of agency-client relationship are the same as identified in the initial framework (i.e. figure 2.6) however, the research participant’s narrative was more industry/sector specific. For example, the literature highlights the experience of a marketing agency as an important determinant in the selection of a marketing agency and the clients highly value the agency that has more experience. However, from the interviews it emerged that, the clients valued the agency that has experience in their specific sector. Such that the respondents from the telecom sector prefer to hire a marketing agency that has worked before within the telecom sector at national or international scale. Similarly, the existing literature highlights ‘experience’ as a key theme in the first stage of the relationship however, based on the findings of this research, this theme is renamed as ‘experience of agency’ to make it more clearer to the reader. In another case, the existing literature highlights the network of the agency as an important factor for clients to consider while selecting a marketing agency. However, it emerged from the interviews that the clients from the banking sector prefer to hire the agency that has strong relationships with the local media houses whereas on the other hand, the telecom sector clients prefer to hire the agency that has an international presence or



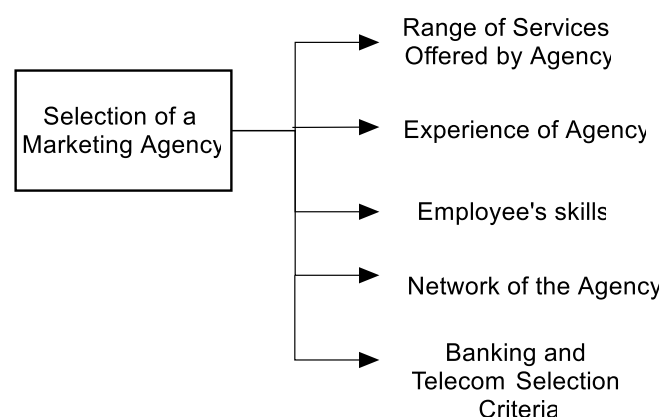
at least that has an affiliation with an international network of marketing agencies. Therefore, the respondents expressed various factors that differentiate their firms' preference for a marketing agency. The following table shows the existing themes that have been presented in the initial conceptual theoretical framework (figure 2.6) and also appeared in the findings of this research. This table also shows the new themes that emerged from the findings of this research which did not appeared in the existing literature.

Table 4.1 Existing and New Themes in the First Stage of Agency-Client Relationship

Existing themes from Literature	New themes from Findings
Experience	Range of Services offered by Agency
Skills	Banking and Telecom Selection Criteria
Network of Relationships	

Based on the findings, overall five key themes (existing and new) appeared in the first stage of the relationship (i.e. selection of a marketing agency). These themes are presented below in (figure 4.2). As discussed earlier, the titles of some of the themes are changed that were extracted from the existing literature and that also appeared in the findings of this research with the purpose to make the findings more meaningful in the context of the study.

Figure 4.2 Stage 1: Selection of a Marketing Agency



#### 4.1.1 Theme 1a: Range of Services Offered by Agency

Although the interviewees mentioned a number of factors that are of significant importance to them while selecting a marketing agency, at the top of the listed factors was *'the range of services offered by the agency'*.

The documentary evidence shows that there are 103 marketing agencies that are accredited by one of the governing bodies in Pakistan that is called the 'All Pakistan Newspaper Society' (source: All Pakistan Newspapers Society, 2016). Of note is that the respondents significantly stressed the aspect of affiliation and accreditation of their marketing agency with APNS. It was noticed that in Pakistan and particularly in the banking and the telecom sector, firms prefer to hire full-service marketing agencies because the clients get all the services at one platform, which also makes it easy for the clients to coordinate with a single marketing agency. The evidence from the interviews demonstrates that all the marketing agencies that were hired by the selected clients (i.e. banks and telecom firms) are considered as 'full-service' marketing agencies. In Pakistan, these agencies are also called the 'creative agency' and in the interviews; some of the respondents have used this term to describe the 'full-service' marketing agency.

The findings suggests that price is not an important factor for the selected clients while choosing the marketing agency. As the following extract from illustrates:

*"In Pakistan, the telecom sector is very competitive and there is a rivalry among the market players, so in this competitive environment we focus more on the work that our agency will do for us rather than the price they will charge. You see,... for example they might will charge us 100 rupees for a TV AD, but if the return is not good.....so it is better for us if they charge us 120-140 (rupees) and our return on investment is higher...." (Bilal, Telecom)*

Bilal explicitly describes the preference of telecom companies in Pakistan that do not sacrifice quality of their marketing campaign over the price that their marketing agencies will charge. The first part of the extract illustrates the competition in the telecom sector in Pakistan where Bilal states that due to the intense competition, telecom companies want the best creative work. Furthermore, in the findings there appears to be no influence of price that is charged by the marketing agency on the

decision making of the client such that the client's primarily focus on the other factors that are being presented in this stage 1 of the agency-client relationship.

Other than the quality over cost factor, it emerged that clients find it easy to coordinate with the marketing agency that is viewed as a 'full-service' marketing agency. In this respect, the selection of a marketing agency is also influenced with the ease of communication while dealing with full-service marketing agencies.

Bilal further refers to the competitiveness of the telecom sector in Pakistan and describes that due to the high frequency of communication between his telecom firm and their marketing agency, it becomes easier for them to coordinate all the activities with one full-service marketing agency.

*"We would prefer to choose a full-service agency that can provide us a range of services. We are in telecom sector which is very competitive here...we need to market our services to the clients through every possible communication medium.... therefore if one agency can provide us all the services then it would be much easier for us to coordinate with them.....". (Bilal, Telecom)*

Similarly, in the following extract, Fawad stresses more on hiring a full-service marketing agency and gives an example to illustrate his point that coordination with one agency is much easier for them rather than coordinating with several different marketing agencies. Coordination with the agency in this case means the ease of communication with the marketing agency.

*"I think it's always good if you have all the services available at a single platform. The communication and coordination becomes very easy for us because then you are dealing with one agency at a time rather than several agencies for different purposes". (Fawad, Telecom)*

Asim also supports the decision to hire a full-service marketing agency and explains about the accountability aspect. It appears that coordination between the full-service agency and client is not only important in terms of communications, the clients also prefer to hire a full-service agency to coordinating the routine matters and in terms of record keeping.

*“..... one window solutions make things smooth and accountable”. (Asim, Telecom)*

When asked to clarify about the accountability aspect, the respondent replied,

*“we deal with them on a daily basis, there is so much happening on a daily basis that if we have 2-3 agencies on board, then you can understand how much difficult it is for us to keep the details for every agency. Coordinating with different people from different agencies and keeping a record of all this..... On the other hand when there is a single agency to deal with, record keeping and coordinating with them about daily matters is easy for us”. (Asim, Telecom)*

In the above extract, the respondent emphasizes on the accountability of the information that is shared between his firm and the marketing agency. He believes that the business operations will become more synchronized if there is one agency dealing with them (i.e. one-window solution) rather than dealing with several agencies.

The perspective of the respondents was taken from the marketing agencies as well to explore how they view their client's preference for selection of marketing agencies (particularly in the banking and telecom sector in Pakistan). The reason for taking their perspective is to explore how the agencies think about their client's preferences. Another reason for taking the agency's viewpoint about the selection criteria was to explore whether the marketing agencies make changes in their infrastructure to suit the preferences of their clients. It appeared that the marketing agency's aim is to provide all the services from their platform. However, if they do not have the infrastructure or facilities that fulfils their client's requirements, then they outsource those services for their client. For example, Usman who works for an agency explained that,

*“.....we are well known as a creative agency but we provide all of the services and the services we don't have usually end up outsourcing them.....but we do have an editing suite, we have creative, we have copy, we have print and BTL and everything. That makes us a full-service agency”. (Usman, AT)*

Although it is very difficult for an agency to provide all the possible marketing communications services from one platform, however to keep their client on board, the marketing agencies outsource such services that they cannot provide to their client with the reason to retain the client. However, this might raise a concern for the client to coordinate with another marketing agency, which the clients tend to avoid. Usman further elaborates that;

*“Our client basically deals with us for the outsourced work that we give to a third party, so it is our responsibility. For the client it’s our marketing agency who is doing work for them”. (Usman, AT)*

As it appeared earlier from the findings, the clients avoid hiring more than one agency due to the concern raised about the coordination, it appears that by hiring full-service marketing agencies, the clients leave the coordination of dealing with third parties to their agency. Similarly, in following quotes, the respondent described the need to have full-service on board which can attract a larger customer base for the marketing agencies;

*“We are a full-service agency and we keep on board all the marketing services because you never know what the client will ask from you and you might lose a client if you do not have services on your platform”. (Adnan, AT)*

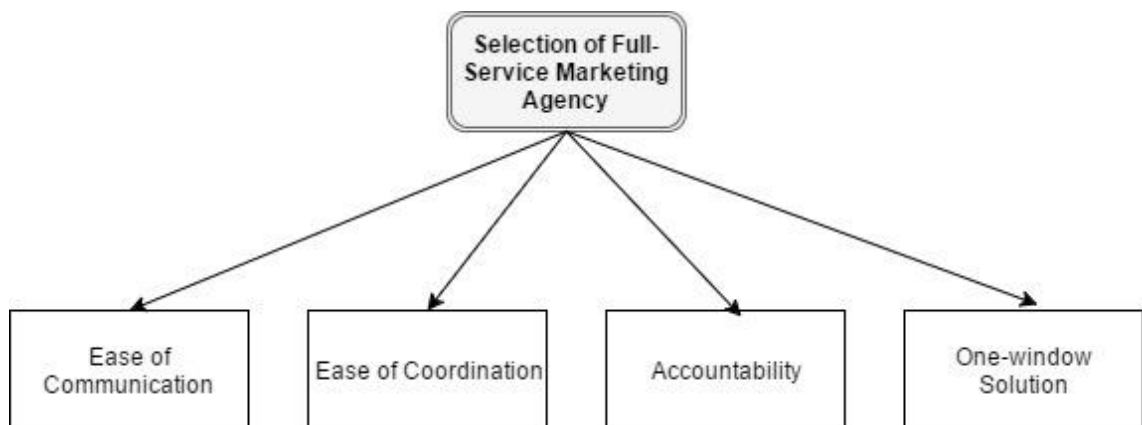
*“...because in order to retain our client, in order to have a good relationship with our client, we should provide the full services. Having said that we are providing the full-services to our clients”. (Adnan, AT)*

The responses from the agency personnel shows that the marketing agencies understand the preference of the clients in Pakistan. Adnan’s response makes it more clear that providing full-services is important to retain a client as he assumes that if they do not provide the services that the client requires then they might lose their client.

To summarize the findings regarding the selection of a marketing agency based on the range of services that the agency provides, it can be concluded that the clients prefer

'full-service' marketing agencies instead of 'specialist' marketing agencies. From the agency's viewpoint, providing full-service marketing services enable them to retain clients. The factors due to which the clients prefer a 'full-service' marketing agency are concluded as follows:

Figure 4.3 The Factors that influence on the Selection of a 'Full-Service' Marketing Agency



#### 4.1.2 Theme 1(b): Experience of Agency

The second strongest theme to emerge was the experience of the marketing agency. The clients look for the agency which is experienced in managing marketing communications. However, it emerged from the interviews that the experience of the agency '*in the client's field of operation*' is more important rather than having experience in any other sector. The respondents argued that they want to hire a marketing agency that has the experience of working in their sector. It was explicitly stated by many respondents that they always go for the marketing agency that has some experience in their sector. For example, Ali's bank recently re-launched its operations from the micro-finance sector to the commercial sector banking. He states that;

*"...since we are on re-launching our self, or I would not say re-launching, it's a refresher campaign. We need a new dimension into our campaign, we need*

*more resources from the agency and we are looking for an agency who are not new in the field". (Ali, Bank)*

In response to a question regarding any key characteristic that he wants in this marketing agency, he argued that;

*"They have done something in the commercial banking sector. That is the basic criteria that we want in the new marketing agency because through their experience in the banking sector, they can better understand our needs and they will be very much aware of the market". (Ali, Bank)*

It was apparent from Ali's conversation that previous working experience in the banking sector is one of the key factors that his bank demands from an agency. By having the experience, the agency can understand the needs of their client and also they understand the current market dynamics.

From telecom sector, Usman describes another perspective for the selection of a marketing agency,

*"...I think telco (telecom) experience counts a lot. If you have managed a telco before because this is the category which is unique compared to others. So if you have telco experience, the clients expects you to know the kind of frequency and the kind of work that you will be dealing with in advance. You will have that mind-set. Otherwise it can be a shock for a new agency who hasn't dealt with telco before because the frequency is mind boggling". (Usman, AT)*

Usman associates the frequency of work with the experience of the marketing agency as a key factor in his selection criteria. As it is illustrated in the first chapter, the telecom sector is a very competitive sector in Pakistan. Reflecting on the competition in the telecom sector, Usman argues that telecom experience is required because the agency will have the experience of handling the high frequency of work. Therefore, in this respect, Usman considers hiring an agency that has worked within the telecom sector before, because it would understand the amount of work that will be required.

For evaluating whether the agency has the right experience, there are sources available for the clients from which they can explore the agency's profile, its previous

experience and reputation in the market. Many respondents talked about awards that are given annually by the representative body of advertisers in Pakistan. One of the most significant awarding bodies, which the respondents frequently referred, was the APNS (All Pakistan Newspaper Association) and PAS (Pakistan Advertiser's Society). Based on their criteria for each sector, these governing bodies judge the performance of the marketing agency in different categories. The clients can evaluate the previous experience of the marketing agencies based on the awards and recognition that are awarded by such awarding associations and societies. The experience of the agency can be evaluated by reviewing their reputation in the market. As the respondent explains;

*"I think the clients go for the advertising agency's experience. Because there is no alternate to experience and if you are a part of bigger network or you have won several prizes, then this means that you have the right experience."*  
(Rizwan, AT)

From the above discussion, it can be concluded that the clients highly value the previous experience of the marketing agency. In the light of above arguments, the following figure presents the key factors that are important in terms of the experience of the agency.

Figure 4.4 Selection of a Marketing Agency based on its Experience

- Experience of the agency in the client's sector is highly valued by the client
- The agency can understand the amount of work required by the client
- The agency can understand the needs of the client
- The agency's experience also reflects on its reputation that links to its credibility



#### 4.1.3 Theme 1(c): Employees' Skills

The skills of employees in the marketing agencies emerged to be another key factor that is regarded important by the clients in the selection of a marketing agency. However, it is noticed that as they are in the field where creativity is required therefore the respondents significantly stressed the importance of '*creative skills*'. The respondents associated the term '*creativity*' with the person who has the ability to create something unique and innovative. It could be a TV add or a promotional banner or something else that the clients demand for the marketing purpose. For example, the following extract identifies the creative skills of employees of an agency, an important factor in the selection of a marketing agency.

*"Their employees and their creative skills. This is the most important that how creative they are. It is very important for marketing and creative agency because they are brain behind the concepts and creative campaigns. How well they are equipped with resources and how creative they are....." (Sara, Telecom)*

The first part of the above extract identifies the importance of creative skills for the client where the unique ideas of the employees are considered important for the campaigns. In the second part of the extract, the respondent imply that the employees of the agency are its key resources. This is clearly manifested through the phrase '*how well they are equipped with resources*'. Due to the fact that advertising requires creative work, therefore the creative skills are regarded important in these sectors.

Creative skills of the employees are seen to be more dominant than their experience. Hassan from banking sector gives an example of how much the skills of employees matter to them. In the following extract, he explicitly asserts that creative skills are of more importance than having years of experience. He tends to imply that if a person who is using advanced software such as Photoshop for designing a campaign, this means that he/she is more creative in his/her work as compared to the person who uses basic software such as Windows Paint application.

*"If there is an agency who has been working for 20 years, or if there is a person who has been working for 20 years but cannot provide us with what we want*

*and does not have the right skills then I think it wouldn't be fit for us. For instance, from a creativity point of view, if he is not making it on Paint rather than Photoshop then creativity lacks here because these tools are different.” (Hassan, Bank)*

Similarly, the following two quotes imply that creative skills are highly valued by the client;

*“First of all, we look at their (agency's) employee's innovative approach”. (Junaid, Telecom)*

*“I think their resources.....I think the creative agency's most valuable resource is their employees.”. (Asim, Telecom)*

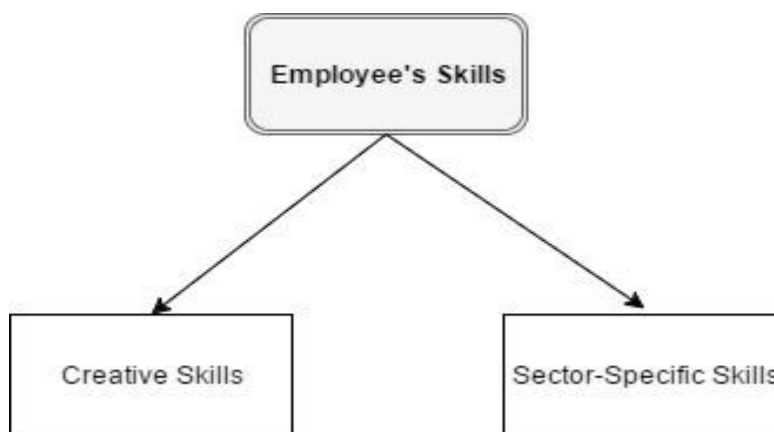
The above extracts illustrate that the most valued resource in the agency is regarded as their employees and their experience in the field of operation of the client is what actually matters to the clients as it is discussed in the previous section.

To further elaborate on the skills of the employees in his narrative, Fawad establishes a link between the experience of employees with their creative skills as he explains that creative skills of the employees along with their experience is more important rather than having standalone experience or creative skills. He seems to imply that with experience in the right field, the employees can get the creative skills that are required from them. Therefore, he gives more importance to experience, which can ultimately lead to the development of creative skills.

*“I think if you have skills and you do not have experience, if you have experience you don't have skills, standalone resources does not say anything. I think its experience because you can learn the skill set, it's not a problem but for example a creative manager if he or she can give us a good idea about a TV commercial, he might not be sound in production but he is good in conceptualizing things. So I put that thing into the experience category.” (Fawad, Telecom)*

Form the above extracts it is concluded, the creative skills of the employees, which enable them to be innovative and bring ideas that are unique for the client is important for the client while selecting a marketing agency. On the other hand, clients valued the marketing agency in which the employees have the experience and have developed skills of working in the client's field of operation. The following figure shows the type of skills that are of significant importance for the clients in the selection of a marketing agency:

Figure 4.5 Employee's Skills



#### 4.1.4 Theme 1(d): Network of the Agency

The fourth theme to emerge from the analysis of semi-structured interviews was the 'network of the agency' that encapsulates a client's selection criteria. As the literature suggests, the organizations maintain and strengthen their relationships with their external partners to enlarge and extend their business network in which some relationships act as intermediaries to facilitate relationships with others. However, what is not clearly illustrated in the existing literature is the description about the types of network relationships that are formed in the agency-client relationship and what the most valued network relationships are. It emerged from the interviews that there are several benefits of extending a firm's network. Also to emerge was the highly valued network relationships of marketing agencies by the clients. Being the observer and the interviewer, the perspective of the clients was taken to find out which type of

networks are valued by the clients when they are selecting a marketing agency. On the other hand, the agency personnel described the motives behind why their agencies make affiliations with the national or international networks and the benefits they seek from being part of their network. The respondents from the clients and agencies raised the importance of becoming part of a bigger network.

The following extract depicts the need for hiring an agency that has a strong connected network with the local media houses and has international presence. This extract is taken from the interview transcript of a senior manager in a bank. They were in the process of hiring a new marketing agency. When the bank was visited for conducting the interviews, they had already shortlisted three marketing agencies and out of these three agencies, they were in the process of selecting one agency to work with them. As it appeared in the previous section that the banks in Pakistan are interested in hiring a marketing agency that has the previous experience of working with other banks in Pakistan. Also to emerge as an important criterion in the agency selection was the relationships of marketing agencies with local media houses.

*“...having a better understanding of relationship with the media houses is useful for us because in return they can take us discounts. How big their business is, the network they have, let’s suppose if an agency has Telenor or Mobilink or HBL on board, these agencies have great circulation in the media. What happens is using their network, our agency can have better rates for media for us. Because our budgets are limited because being a bank in the financial sector, our marketing budget is not that much as compared to a telecom or a FMCG company. These companies have extensive spending.....” (Hassan, Bank)*

*“Their international experience matters to us.....then we know who are their international clients and how they are bringing their experience in Pakistan” (Hassan, Bank)*

Hassan raises two interesting points here regarding the network of marketing agencies. In the first part of the extract, it emerged that being part of a local network (such as media houses) is important for the clients. It also emerged that the banks have less advertising budget as compared to many FMCG and telecom companies in Pakistan. Due to their limited advertising budget, banks tend to hire a marketing agency that is affiliated with a local business network, such as with the local media

houses. In this respect, the banks can get services on discounted rates through their marketing agency. In the second part of the extract, the international network of the marketing agency emerged to be another important aspect in the selection criteria of the client such that the respondent acknowledges that the international affiliation of the agency reflects on their reputation and credibility in terms of the previous work they have done with their international clients.

A similar perspective was taken from another respondent in the bank;

*“..... if they have affiliation with media houses and their relationship with media houses is a big factor because at the end of the day, we have to use the media and with the use of the efficiency of the agency, we have to promote and market our products keeping a limited budget”. (Saima, Bank)*

Interestingly, none of the respondents from the telecom sector and their marketing agencies spoke of any concern about the cost factor while hiring a marketing agency. However, if the agency has large network affiliations, the clients consider those agencies as credible. Other than the credibility factor, the respondents valued the resources of the agency that it brings along with its network. The analysis of the findings also suggests that, clients from the telecom sector do not have preference over the marketing agencies that have strong ‘local’ network as none of the respondents from the telecom sector and their agencies spoke of this concern in their interviews. However, it is mandatory in the telecom sector for the marketing agency to have an international affiliation. It appears that the clients can take advantage from the agency’s international affiliation by gaining access to various resources and the international experience of the agency. The following extracts explain why clients prefer the agencies that have a large network.

*“...that helps the client financially and for smooth running of its marketing campaigns and it adds to the credibility of the agency if it is part of an international network or organization”. (Junaid, Telecom)*

*“...international affiliation, local affiliation their contribution to the societies.....it is very important. It shows how much they are connected within the society, within the advertising society. It gives us the opportunity to take advantage of*

*their resources and their experience of working with various clients.”. (Fawad, Telecom)*

A clear distinction between the preferences over the network of the agency is noticed between the banks and telecom sector. The telecom companies consider the international affiliation of agencies as a key criterion whereas, on the other side, the banks valued the marketing agencies that have local/nation-wide network.

It emerged that, to work for an international client, the marketing agencies are required to have an affiliation with the local advertising society which is called the All Pakistan Newspaper Society (APNS).

*“Our first client was Centaurus in Islamabad. I didn’t had the APNS (All Pakistan Newspaper Society) licensing, so I decided to do the work in which I didn’t require licensing. With our international affiliation we approached the international franchises...We were given the authorization to market their products in Pakistan.” (Salman, AB)*

As clearly depicted in the above extracts from the telecom client’s perspective, the international affiliation of a marketing agency adds to the credibility of the agency. In the case with agency-client relationships in Pakistan, the clients do not get involved with the external partners. The clients delegate the responsibility to the agency for undertaking work on their behalf such that if the agency has to deal with media houses or other agencies/institutions then the client does not communicate with them. The responsibility of dealing with external parties is left to the agency. As Junaid states;

*“We agree on a budget, the costing of the campaign and the communications means that they will be using. We discuss each and everything on the table before and during the campaign planning. What we wouldn’t do is negotiating with the media houses and market research agencies. This has to be done by our agency.....” (Junaid, Telecom)*

*“We don’t have the time and there is no need for us to talk with them.....that is why we have hired that agency. To save us time and resources.....”(Junaid, Telecom)*

In the first part of the extract, the respondent talks of the pre-planning stage of the campaign launching stage. It is noticed that the clients do not have to maintain every relationship with its business network because the marketing agency acts as an intermediary that communicates and manages some of its network relationships. In the second part of the extract, the respondent is explicit in his argument and asserts that it is the job of their marketing agency to manage the relationships with external partners as it takes time and resources to manage such relationships.

On the other side, the evidence from the following extracts explains the motives of marketing agencies for becoming affiliated with a broader business network.

*"...we are a part of an international group, which operates in multiple countries so when you are looking for an agency in Pakistan, our group might have worked globally with them as well. So we can bring some sort of operational excellence over there. We can bring in some sort of cost savings over there. If we can sort of crack a bulk deal with them.... So that is one of the reasons, plus bigger agencies working in European and more advanced countries have more learning from the industry and they can bring in some value over there as well."*  
(Saad, AB)

*"Being aligned with Publicis France, I think is our biggest strength, Nestle (Lahore) is with us because of Publicis. There are few clients like, Nestle, Nescafe.....these international clients are aligned because we are associated with Publicis."* (Rehan, AB)

*"The name of our company is IAL Saatchi and Saatchi which is International Advertising Limited Saatchi and Saatchi....Saatchi and Saatchi as we know is a worldwide company....it has branches in more than 50 countries. That factor of affiliation with Saatchi and Saatchi counts a lot in this (telecom) market".*  
(Sameer, AT)

The above extracts show the importance of being affiliated with multinational brands. These abstracts also show that the affiliations add to the credibility of the agency. Out of many other advantages of being affiliated with a broader business network, it also brings international experience of the agency and cost savings to the client and the agency. Their narratives also demonstrate that the awards won reflects the marketing agency's reputation, which also gives a recognition to their credibility.

From the documentary analysis it is found that there is an Advertiser's society in Pakistan that undertakes the analysis on the use and effectiveness of media campaigns called the 'Pakistan Advertisers Society' (PAS). PAS gives yearly awards to the marketing agencies in Pakistan based on different categories and different sectors. They have separate categories for the banking and telecom sector in Pakistan. They have listed the name of the companies, the campaign and the agency that has developed the winning award. They have special categories for the awards such as, best in BTL, best in digital, best in PR, media innovation, best in TV, Radio, Print, out of home advertising and special season's category (source: [www.passawards.pk](http://www.passawards.pk)). PAS has 6-7 jury members who are professionals in the field of marketing and they score the campaigns of marketing agencies in Pakistan based on the following criteria:

Strategic challenge + Objectives	23.33%
Idea	23.33%
Bringing the idea to life	23.33%
Results	30.00%
<b>Total</b>	<b>100%</b>

*\*Source: Pakistan Advertisers Society (2016)*

In the categories where creativity is the backbone of an advertisement campaign, the jury does not follow the above criteria. These categories are:

- Passion for Pakistan
- Platform awards (Best in TV, Print, Radio and OOH)
- Season's special

*\*Source: Pakistan Advertisers Society (2016)*

Based on the findings, it can be argued that because the telecom firms in Pakistan have relatively big marketing budgets as compared to the banking sector, they tend to hire marketing agencies that have international affiliations. Such clients are willing to pay



more to their marketing agencies to take advantage of their vast resources that they bring with their broad international network. As the following extracts from an agency contact depicts;

*“It’s basically based on the client. The types of budget they have, the types of revenue they are generating... all of these things basically focus on the core thing that is the revenue. How much money the client wants to spend.... As Telenor is a multinational brand so they prefer that they are associated with a multinational company.” (Adnan, AT)*

*“We are associated with the Y&R network, which is a global group of agencies all across the world. Its I think in the top 3 in the world and Wonderman is also part of our network ....And it also provides you access to certain tools which are proprietary tools, exploring tools, research tools. If I want to research my category and I am handling a pitch and I want to see what my network has done worldwide on similar clients or the similar category, so I can get category experience, category researches, case studies.....so these are the benefits if you are having a network affiliated with yourself.” (Usman, AT)*

*“.....the credibility that you get from the network, any awards that you have won. So it’s a whole package of things that reflects your standing in the market”. (Usman, AT)*

Furthermore, the evidence from the websites of the selected marketing agencies shows that the marketing agencies that are hired by the telecom firms are affiliated with an international network of agencies. However, on the other hand, two out of three marketing agencies that are hired by the selected banks do not have any international affiliations. This shows that in the telecom sector in Pakistan, it is essential for their marketing agency to have an affiliation with an international business network. The following extract concludes that the large multinational companies (i.e. the telecom companies in Pakistan) are bound to work with agencies that have international presence because they have the credibility and reputation and the clients can get access to their range of resources that they carry due to their international affiliations.

*“It does not make difference if we talk about the small sized companies but it makes difference for large companies such as FMCG’s.....Unilever, Microsoft,*

*Nokia are such examples....for these type of international brands it's a factor .....Because they are bound to work with international companies. If the agencies have international affiliation, the clients will come to them by default. But it makes difference when we talk about the Media agencies" (Saad, AB)".*

From the evidence, it is concluded that the banks prefer to hire a marketing agency that has a local network whereas the telecom firms prefer to hire a marketing agency that has an international network. From two different perspectives (i.e. agency and client), the following key points summarizes the motives behind the selection of a marketing agency based on its network.

Table 4.2 Role of Agency's Network in enabling the Selection Process

<b>From the Client's side</b>	<b>From the Agency's side</b>
To get discounted services	To take part in the competitions, an agency must have affiliation/membership with certain societies or awarding bodies
To take advantage of the international experience of the agency	It adds to the credibility of the agency if it is a part of professional or international network
To take advantage of resources of the agency	It gives the agency direct access to many resources from the network.
It provides access to the proprietary/copyright tools to the client	

#### **4.1.5 Theme 1(e): Banking and Telecom Selection Criteria**

The overall selection criteria of the clients is presented in the above listed themes however, it appeared that there are some clearly stated differences noticed regarding the selection criteria of banks as compared to the telecom companies. Therefore, the following theme highlights these key differences as it appeared in the interview transcripts. Although, these differences have been explicitly presented in the above themes however, here they are presented in the following table to make it easy to illustrate and understand.

Furthermore, this theme emerged because the practitioners significantly stressed the selection criteria of a marketing agency based on the needs and requirements of banks

and telecom firms and these factors differ significantly from each other. Therefore, this theme highlights the differences as highlighted by the respondents.

Table 4.3 Key Differences between the Telecom and Banking Preference: Selection of a Marketing Agency

	<b>Banks' Selection Criteria</b>	<b>Telecoms' Selection Criteria</b>
<b>Reach of the Agency</b>	Banks require an agency that has its reach within the country	No preference over the reach of the agency in the country
<b>Cost Factor</b>	Banks want a cost-effective marketing agency	No compromise of quality over cost
<b>Network of the Agency</b>	Banks want an agency with local network	Telecom firms want an agency with international network
<b>Use of Network</b>	Banks use of the network of the agency to get discounts	Telecom firms the use of network of the agency to take advantage of the resources

## 4.2 Stage 2 of the Agency-Client Relationship

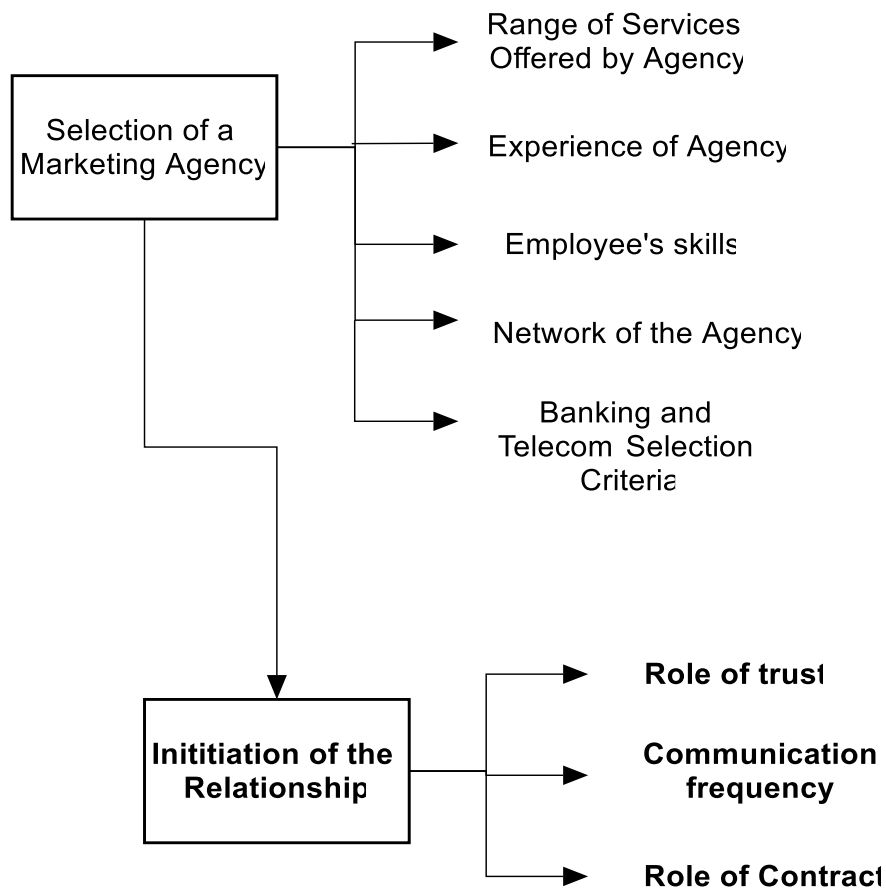
In the second stage of the relationship (i.e. the initiation of the relationship), no new themes emerged from the findings. The themes that emerged from the findings are the same that are identified in the initial conceptual theoretical framework, as shown below in table 4.4. However in the findings, 'Satisfaction' did not appear at the second stage of their relationships as it shown in the initial conceptual theoretical framework.

Table 4.4 Existing and New Themes in the Second Stage of Agency-Client Relationship

Existing themes from Literature	New themes from Findings
Trust	-----
Communication	-----
Contract	-----

At the second stage, the strongest theme appears as the role of 'trust' that plays a significant role in the agency-client relationship. As both parties start developing trust, it appeared from the findings that it helps them to continue their relationship for a longer period. Figure 4.6 below illustrates the key factors that are identified based on the responses. These factors also appear to be important in determining the further continuation of their relationship.

Figure 4.6 Initiation of the Agency-Client Relationship



#### 4.2.1 Theme 2(a): Role of Trust

At the initial stage of the agency-client relationship, the level of trust emerged to be the strongest factor that determines the strength of their relationship. It emerged from the responses of interviewees that as the partners start trusting each other, their relationship gets stronger and long lasting. As the following extract narrates;

*“It’s very important when you are handling a client as big as Zong. Trust comes falls, because you are handling campaigns, you are talking about ideas that you are going to be implementing 6 months down the line, 8 months down the line, so I think it matters a lot. If the client would not trust you, you can’t have that open conversation and really plan because... you see it’s a partnership the way it works with the creative agency and the client. We need to share more information and its inside information actually and given the competition specially in the telco sector, the trust comes first and foremost that the information will not be leaked and then campaigns will not go out and the plans will not be shared with anyone”. (Usman, AT)*

Usman presents three interesting reasons that highlight the importance of trust in the agency-client relationship. In the first part of the extract, Usman imply that large telecom companies have big capital investment in marketing their services therefore, they need an agency that they can trust. Then Usman illustrates the importance of trust by describing the planning of marketing campaign where trust effects on the communication between the marketing agency and its client. In the last sentence of the extract, Usman presents a linkage between the element of trust with the confidentiality of information. This is clearly manifested through *'trust comes first and foremost that the information will not be leaked'*, which implies that the client needs an agency that can be trusted for the confidentiality of information.

Also to emerge through the interview transcripts was the development level of trust which strengthens with the passage of time. The agency and client start trusting each other when the both parties spend time and test their relationship through various stages of the relationship. As the following extract depicts;

*"Obviously it is a very technical field, you can't just start working immediately on it. You need a certain jelling in period where you acclimatize yourself with the product and with the client, because they have a lot of products, they have very specific type of needs. So understanding them is not always easy and that's why I think on a professional level you have this kind of trust on not just me but my other members as well."* (Saad, AB)

It is clear from Saad's argument that to develop trust in the business partner, there is a certain amount of time required for each partner to understand each other well. It was observed at the field of research during a visit to one of the marketing agency that was hired by the selected telecom company. The research participants from that agency received phone call from its (telecom) client who was giving directions regarding the content of the graphic designs that their agency had prepared for them. When asked that why don't they send a written requests, the participant replied;

*"...as far as contract terms go, there are a lot things that are already written on the contract but due to the relationship and trust value sometimes they are not*

*followed at all.....because if we discuss the billing process first....it's a very lengthy process. That happens just because of trust...." (Adnan, AT)*

It can be concluded from Adnan's argument that the level of trust is directly related to the length of the relationship. The evidence also suggests that when both parties have high level of trust then written or formal way of communication such as letter or emails are less frequently used as a means of communication.

Several respondents described trust between the agency and client as crucial for the longevity of their relationship. It emerged from the interviews that trust is not only important in the initial stages of the relationship, it is also important to maintain trust throughout the length of the relationship. As Adnan describes;

*"...if you do not trust your agency, you wouldn't be able to have what you want actually. It is just you are dealing with your lawyer, you are telling your lawyer your problem and your lawyer is providing you the solution. So, you have to involve your agency at each and every step of your advertising and marketing so that the agency can provide you with a better solution". (Adnan, AT)*

Trust in the agency-client relationship is influenced by various factors e.g. the length of the relationship and providing quality services. The respondent's description of trust also appeared to be influenced to an extent by the respondent's affiliation with the agency or client's side. For example, Adil who works for a marketing agency describes trust from his own viewpoint;

*"Trust is an essential element in our relationship. By giving them best (services), we try to win the client's trust. That is the element that keeps us working with our client." (Adil, AB)*

From the marketing agency's viewpoint, it is the quality of services that the agency provides, which develops client's trust on that agency. However, from the client's viewpoint, the way they understand trust in their relationship appeared to be mainly influenced by the delivery of service within the specified time.

*“..... if you don’t trust then to deliver us the kind of work we are expecting, how can we work with them. It’s not about being creative, it’s also about being on time for us as well. Like if they have promised us to deliver something at 12 pm, we would like it to be on that time. (Hassan, Bank)*

Hassan points out at two interesting factors here that strengthens the level of trust with their marketing agency. The first factor is delivering services on the specified time or meeting deadlines and the second factor is keeping their information confidential. It appears that these are the two main reasons that have led to develop the client’s trust on its agency. Saima presents a similar viewpoint and points out at the confidentiality and the delivery of work on time as an important factor that builds her trust on her bank’s agency.

*“....there are many things that are confidential which are not there in the market but the agency knows. So for that, we need to trust our agency....and at the end of the day we have to rely on them because sometimes we want them to get it done in some days or even in a couple of hours and I need an agency on which I can rely and I can tell other departments that this will be done. So I need a very good back up and that is my agency that should be trusted and relied.” (Saima, Bank)*

From the client’s perspective, it appeared that the level of trust gets high when the agency delivers work as agreed with the client. This argument about the time factor or meeting deadlines is also supported by many respondents as explicitly depicted in the following two extracts;

*“Trust means the deadline, we will be handing over these items by this date, this time, then you have to fulfil that. It is your commitment, the deadline, it’s the trust because when you keep on fulfilling your commitment that means the trust over the agency by the client becomes stronger and stronger. At the same time if you are not able to fulfil your commitments then the trust goes down.” (Fawad, Telecom)*



*“They are trusting us with the delivery of the work. And also the trust comes with the quality of the work. So with the lesser time, the better quality, they are trusting us that’s why they are with us for many years.” (Umair, AB)*

In the following extracts, the respondents shared examples from their experiences of working with their clients where it emerged that the client’s trust becomes stronger because of the previous experience therefore, it shows that the length of relationship directly influences on the level of trust. Such that when the agency and client have been working with each other for a long period then based on the previous experience, the client’s level of trust on their agency becomes stronger than before.

*“We have worked with them from the product development stage to the execution stage. We went to them, at that time they had a pressure on them due to the dolman loyalty card that is a co-branded product between the bank and the dolman mall. They gave us the task without the formal contract. Because of the previous experience of working with them on tight deadlines, they knew that we can deliver them the work on time. The task was about the activation, launch and branding and the promotion of the whole campaign. We built up our agency’s cell in the client’s premises because they gave us only 15 days for the work....” (Salman, AB)*

*“...we spent 8 Million Rupees with a trust that we would eventually obtain the funds from our client Zong and we know that we will get the money in time. It happens many times that we get the brief from our client....we work on it and then present to them.....however, we don’t ask for any money because we have developed trust in each other and we know that our partner will give us the money for the work we have done.” (Amir, AT)*

From the above two examples narrated by the respondents, it also appeared that when both parties developed high level of trust then legalities of work such as the contract and written agreements becomes secondary in terms of its importance as compared to when the both parties do not have high level of trust.

Due to lack of a universally accepted definition and the presence of a number of interpretations of trust in the B2B relationships, the conceptualization and implementation of trust is rather challenging. The following figure 4.7 present the way trust is explained by the respondents in the agencies and by the clients. Table 4.5 further presents the supporting quotes from the interviews.

Figure 4.7 Explanation of Trust from the Agency's and Client's Viewpoint

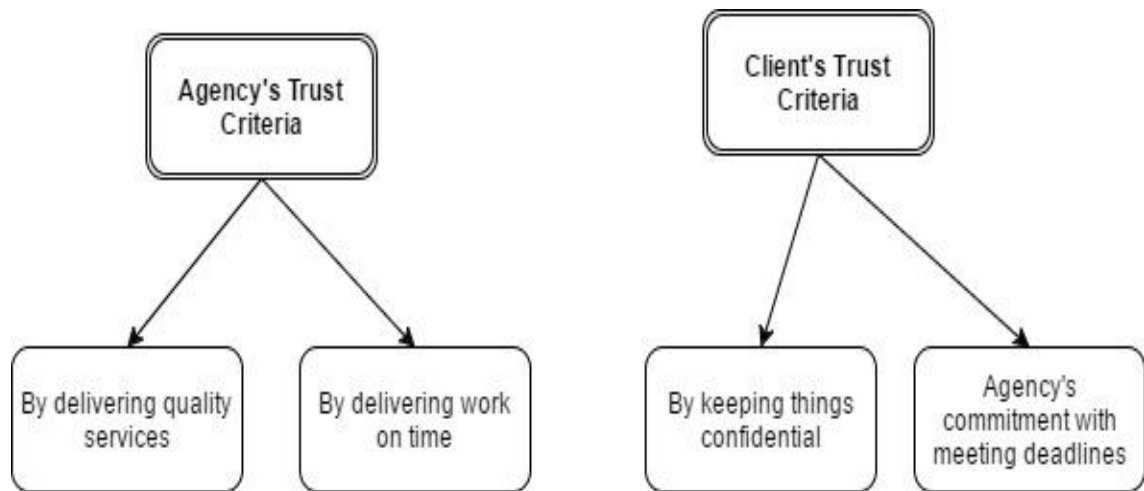


Table 4.5 Explanation of Trust from the Agency's and Client's Viewpoint

Agency's Perspective	Supporting Quotes	Client's Perspective	Supporting Quotes
By delivering quality services	<p>"By giving them best, we try to win the client's trust". (Adil, AB)</p> <p>"...also the trust comes with the quality of the work. So with the less time, the better quality, they are trusting us that's why they are with us for many years." (Umair, AT)</p>	Trust comes with keeping things confidential	<p>"They can leak our information to other clients but that's the thing they don't leak it out. That is why they have been with us for the last 7 years. I think a relationship develops because of trust". (Hassan, Bank)</p> <p>We are dealing with sensitive information and trust should be developed before you share such important and sensitive information." (Omar, Bank)</p>
By delivering work on time	<p>"Because of the previous experience of working with them on tight deadlines, they knew that we can deliver them the work on time." (Salman, AB)</p> <p>"They are trusting us with the delivery of the work." (Umair, AT)</p> <p>"...It's their trust on me and I will do this work. Because it is advertising work, you may receive a call in the middle of the night at 2 or 3am that there has been some issue". (Sameer, AB)</p>	Trust is the agency's commitment with meeting deadlines	<p>"It is your commitment, the deadline, it's the trust because when you keep on fulfilling your commitment that means the trust over the agency by the client becomes stronger and stronger." (Fawad, Telecom)</p>

From the above table 4.5 and figure 4.7, the implication for the client and agency appears that both parties should have the same understanding of trusting each other. For example, the agency should understand that it can gain the client's trust by keeping things confidential and also by meeting deadlines.

#### 4.2.2 Theme 2(b): Communication frequency

It was noticed during a visit to the marketing agencies and while interviewing the respondents that out of 10 respondents, 6 of them were assigned a single account to handle. Which means that they were only communicating with their individual banks or telecom companies. Specifically, the marketing agencies that were hired by the selected telecom companies have their whole team dedicated to that telecom company. On the other side, the marketing agencies hired by the banks had many other accounts meaning that they were dealing with several other clients at the same time while they were working on behalf of the banks. Out of the 10 respondents, 4 respondents who had other clients on their account belonged from the marketing agencies that was hired by the banks. This shows that the agency personnel that are working for the telecom firms had assigned roles meaning that they had single/sole clients. Whereas, the agency personnel that were working for the banks had multiple clients and they had to deal and communicate with other clients that were on the agency's client list. This finding implies that the communication gap between the agency and client personnel increases for the people who deal with multiple clients as compared to the one's who deal/communicate with a single client.

Bilal explains how his telecom company communicates with their agency. The following extract also gives an impression of the frequency of communications that takes place between the agency and client. It appears from his response that his company communicates with the agency more frequently and on regular basis when they start working on a new marketing campaign. Therefore, more campaigns at a time means that the client and its agency will be communicating more with each other.

*"Now what happens is that whenever we have a new offer, whenever the business need comes, we jock down a brief, a detailed document which has the complete background of why this campaign has been launched. That brief is then sent to the agency, the agency evaluates it, sends back to us, we explain the details, the exact communication that we want, in terms of how it fits in the brand strategy, how does it actually have a long term role to play in the industry or in the market. The agency then comes up with the concept. The concept basically revolves around the TVC or a marketing campaign and then we sit together and evaluate it." (Bilal, Telecom)*

From the analysis of the findings it appeared that the frequency of communication with the client was much more for the marketing agencies that were working on behalf of the selected telecom companies as compared to the agencies that were hired by the banks as the following extracts depict;

*“Communication is on daily basis. Usually we discuss marketing strategies, some creative ideas and brainstorm on new products for launching”. (Junaid, Telecom)*

*“....you know we are working with them day in and day out.....there a lot of campaigns that we launch.....I personally would have launched more than 30 campaigns in the last two years.....so that’s a lot”. (Sameer, AT)*

It emerged that the frequency of communication is essential to reduce any barriers for the quality of work. Since, Adnan’s agency is fully dedicated to their client, he argues that sometimes they have 3 or 4 meetings in a single day, despite of this high frequency of communication, he still feels that they need to communicate more often.

*“We need to meet more often so that there are less barriers. In terms of time, we are spending more time with each other than with our family. We come at 9 and we go at 6 o’clock. We have 3 or 4 meetings a day sometimes”. (Adnan, AT)*

As discussed earlier, the frequency of communication and the use of means for communication is highly influenced by the sector of the industry. Such that, in the banking sector, indirect means of communication between the banks and their marketing agencies emerged to be more in practice than the use of direct communication. Also to emerge was the use of technological mediums of communications between the marketing agencies and clients particularly in the banking sector.

It was observed during the visit to the offices of agencies and clients that both the agencies and clients have common rooms in their premises that they use for their internal meetings and meetings with the agencies/clients. The relevant staff members from their departments gather at their meeting rooms to discuss their marketing

strategy planning. These rooms act as a platform where it seems to facilitate communication between the agency and client.

Analysis of the findings revealed that frequency of communication particularly between the banks and their marketing agencies is on a regular basis, however this frequency becomes high when they are about to launch a big campaign. Particularly in the banks, the means of communication on a daily routine is mostly through the indirect ways such as via phone/email however, they communicate face to face when there is a big campaign that they are about to launch. As it is clearly presented in the following two extracts by the respondents from the banks;

*“Mostly through the brief if you are talking directly or indirectly. For a bigger campaign, we might actually go there and interact with them directly in a meeting. Otherwise we are always in contact with them directly through the clients services department who are giving us their feedback and who are conveying our feedback to the client. So we are always in contact with them whether directly or indirectly. That happens all the time”. (Saad, AB)*

*“Sometimes we are given just one, two days to prepare for our sponsorship and that’s the crunch time for us because the agency has to stop everything that they are doing and focus on making the design for sponsorship. At that time we are communicating with each other quite rapidly and frequently.” (Rehan, AB)*

In terms of satisfaction with the communication frequency of the clients, it emerged that sometimes overreliance on trusting the partner can also lead to misunderstanding among the partners in such a way that when the client does not communicate properly to its agency then it can cause conflicts between them. Such that based on the previous working experience, the client assumes that its agency will understand what they actually want. However, clear communication is necessary through all channels of communication. Bilal describes a scenario when the information is not communicated properly that leads to misunderstandings between the business partners. This case also highlights that although trust between the partners is established however, over dependence or assumptions on each other may lead to misunderstandings. Therefore, firms need to reduce their communication gap in order to reduce the misunderstandings.

*“There are times when you lose your temper because sometimes they wouldn’t give proper brief. Just because of my experience of working with them and the trust that they have, they would assume that this guy knows what we are talking about. Sometimes they will give their feedback and sometimes you do not like their feedback because the brief was given in one way then they want totally something different. So sometimes there is a communication gap that exists between us and I think we need to reduce this (communication) gap”. (Sameer, AT)*

It is difficult to generalize this finding to other cases because trust on the partner is not seen to influence the communication in other cases under investigation. However, there is clear evidence present in the existing literature that describes the possible effects of miscommunication.

On the other side, it emerged that in the relationship between the telecom companies and their marketing agencies, the frequency of communication is high as compared to the banking sector and mostly they communicate through direct mediums of communication (i.e. face to face). For example, when the respondent was asked about how often they meet their client he replied;

*“Everyday...every day before coming to the office, we have a meeting at 10 am. We discuss the daily jobs and then we start our day here. It’s a task oriented kind of a job. So every day you get different work. (Umair, AT)*

Despite having several frequent meetings with his client, Umair argues that due to the amount of work that his agency does for their client, they still require more time.

*“Every agency has this problem or an issue. My team is complaining about the time that we don’t get enough time but we with the account services people and the account manager, we are trying to reduce that gap, we are trying to buy more time for the better execution for the better work. So definitely, when we get lesser time, the work quality is not as good, comparatively if we get more time from the client. So definitely, this is an issue.” (Umair, AT)*

Another member of agency gives a similar perspective;

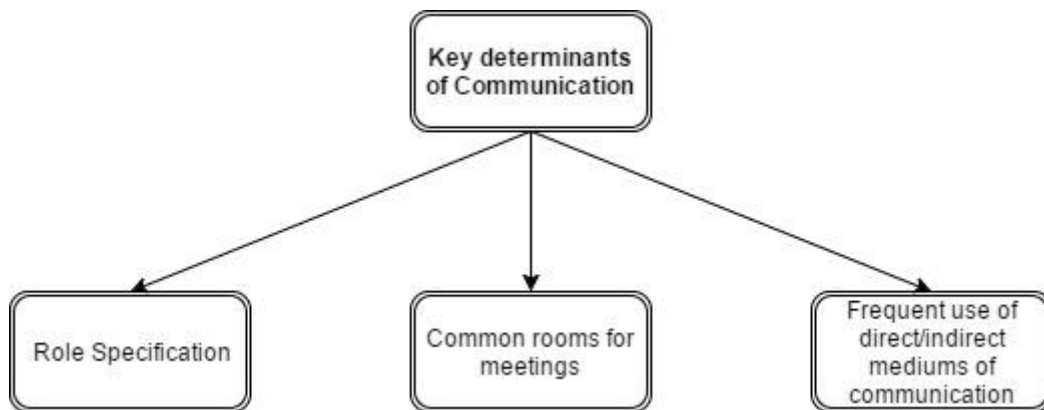
*“One day there is a meeting at the client’s office, the other day they would be over here at the agency and we are communicating via emails every day. Several times a day sometimes because there are multiple campaigns of print, radio, TVC’s going on at the same time. So there are a lot of projects going and*

*there is a lot of coordination happening, a lot of back and forth at the same time". (Usman, AT)*

The findings indicated that the contract and agreements between them do not influence their routine communications. Further discussion about the role of contract in the agency-client relationship is presented in the next section (titled as; theme 2 c) which will further elaborate the role/influence of contract in their relationship.

To summarize the findings under this theme, the following three factors emerged as the key determinants that strengthen the communication between the agencies and clients.

Figure 4.8 Key Determinants of Communication between Agencies and Clients



The following table summarizes the key forms of communication that takes place in the selected banking and telecom sector firms. A clear distinction appears between the banks and telecom firms in terms of their frequency of meetings and forms of communication with their marketing agencies and vice versa. It appears that in the banks, the frequency of meetings of clients with their marketing agencies is less as compared to the frequency of meetings of the telecom firms with their marketing agencies. Here, less frequency is defined as where the agency and client meet up on an occasional basis or when there is a specific need for the meetings whereas, when the agency and client meet up on a regular basis or on a daily basis, it is described as



having a high/more frequency. On the other hand, the communication between the banks and their marketing agencies is in the 'in-direct' form, meaning that they more often use different mediums of communications such as via email and telephone whereas, the communication between the telecom firms and their marketing agencies is more often in the direct form where they mostly communication face to face. The (figure 4.9) below presents the type of communication that takes place between the marketing agencies and clients in the banking and telecom sector. This is followed by the (table 4.6) that presents the key supporting quotes from the respondents.

Figure 4.9 Type of Communication in the Telecom and Banking Sector



Table 4.6 Type of Communication in the Telecom and Banking Sector

Banks	Supporting Quotes	Telecommunications	Supporting Quotes
<b>Less frequency</b>	<p><i>"We arrange a meeting time whenever it is required." (Ali, Bank)</i></p> <p><i>"Mostly through the brief if you are talking directly or indirectly. For a bigger campaign, we might actually go there and interact with them directly in a meeting". (Saad, AB)</i></p>	<b>High frequency</b>	<p><i>"Communication is on daily basis. Usually we discuss marketing strategies, some creative ideas and brainstorm on new products for launching". (Junaid, Telecom)</i></p> <p><i>"Every day before coming to the office, we have a meeting at 10am. We discuss the daily jobs and then we start our day here. It's a task oriented kind of a job. So every day you get different work". (Umair, AT)</i></p> <p><i>"In terms of time, we are spending more time with each other than with our family. We come at 9 and we go at 6 o'clock. We have 3 or 4 meetings a day sometimes". (Adnan, AT)</i></p>
<b>In-direct communication</b>	<p><i>"Mostly through telephone, because via email you can't describe everything and face to face is not possible that a person goes from our bank to the agency or the other way around." (Sami, Bank)</i></p> <p><i>"We communicate mostly through email and telephone conversation." (Ali, Bank)</i></p>	<b>Direct Communication</b>	<p><i>"Every day before coming to the office, we have a meeting at 10am. We discuss the daily jobs and then we start our day here. It's a task oriented kind of a job. So every day you get different work." (Umair, AT)</i></p> <p><i>"Mobilink will call me instead of emailing me and they will say that they want this to be done. It's their trust on me and I will do this work. Because it is advertising work, you can get a call in the middle of the night at 2 or 3am that there has been some issue." (Sameer, AT)</i></p> <p><i>"Well very often, almost every day in some shape or form. One day there is a</i></p>

			meeting at the client's office, the other day they would be over here at the agency and we are communicating via emails every day". (Usman, AT)
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#### 4.2.3 Theme 2(c): Role of Contract

In the interviews, the respondents described the importance of contract in their relationship, as the following extract illustrates;

*"....it (contract) is very important. I will not be able to serve you until 2018 or 19...things should be documented. You can over and above pass on different favours to agency but the basic, the pre-requisite should be in writing in the contract... The contracts are basic major legal, financial force measure or regulatory paper terms ...so things should be in contract as much as you can, except those things that are more operational in nature and their time period or their deadline may vary from project to project. You don't mention those things in the contract." (Fawad, Telecom)*

Fawad's argument suggests that the clients view the contract as a legal document that binds both parties to work together in accordance with the agreed terms. He further specifies that things that are of operational nature and information regarding the daily tasks cannot be included in the contract. This view was also supported by other respondents who argued that the operational nature of work cannot be included in the contract because in the routine work, things change due to several circumstances. The strongest influential factor in this context in facilitating the agency-client relationship emerged to be the confidentiality aspect of the contract where both parties are bound to a non-disclosure agreement. Fawad further goes on explaining about the details of the contract, which states that in the light of the contract, both parties are bound to keep the information confidential as he describes;

*"One of the main thing is that they are not going to disclose any information because every strategy, we have to share with them, with the creative agency*

*because they have to come up with the creative concept and they know our strategy for the next one or two years and what we have developed. So there is a non-disclosure agreement. If they breach the contract what will be the penalties.” (Fawad, Telecom)*

Analysis of the findings suggests that the contract’s main purpose in the agency-client relationship is to bind both parties under a legal umbrella in such a way that if there is a serious issue/dispute that takes place, then both parties can resolve the dispute in accordance with the guidance of the contract. As the following extract illustrates;

*“Agreement helps when some issues arises with agencies, clause signed in agreement bound agencies legally then usually client rerun the campaign, if the agency is on agreement and retainership then client is bound to work with same agency until the agreement expires, otherwise agency can be changed”. (Junaid, Telecom)*

Most of the respondents referred to the legal aspect of the contract, explaining that contract has a legal value and it is used as a dispute-resolving tool. Also to emerge was the role of contract in their routine affairs. As Zahid describes, in their routine work, the contract does not have any role in their business operations between his bank and their marketing agency.

*“We once sign a contract with them at the start of our partnership then the routine work that we do with them is not mentioned in the contract. It’s all about understanding each other and understanding each other’s needs..... because we have been working with each other for quite a long time now, we barely look at the contract terms”. (Zahid, Bank)*

It appears that due to their mutual understanding of working with each other in the past, the role of the contract in the relationship becomes insignificant.

Also it was noticed that the contract between the agency and client is usually renewed after 2-3 years and other than its legal value, there is financial information agreed on the contract.

*“....after 3 years. In the past, it was actually a 2-year contract but now this time they did a full-fledged pitch, called 8 of the best agencies in Pakistan. In our relationship it’s very important because it tells how much money Mobilink will pay to us. After 3 years a new contract is signed because you cannot work on the same salary for the next 3 years.” (Sameer, AT)*

It emerged that the length of the relationship also determines how much value both parties give to the contract. The trust that is developed between them seems to diminish the role of contract. In the following extract, the respondent explains that they have been working with their client for the last 10 years and they have strengthened their relationship in that time. Therefore, they have developed trust in each other, which reduces the role of contract in their relationship. As the following extract illustrates;

*“We have been working with Summit for the last ten years and we don’t have a contract with them except the work we did for Dolman loyalty card. The clients want the agency to be very active such that if the client rings you at 2am you should respond that them. No not usually, we just receive an email that includes all the information such as the budget and people. It depends on the company. We are more focused on the delivery rather than the documentation. At some places contract is important but at some places you have developed such trust that contract does not matter a lot.” (Salman, AB)*

For the continuation of the relationship, the mutual understanding and trust between the agencies and clients appeared to be the key factor as compared to the contract. In the following extract where Hassan states that *‘it’s more about mutual understanding,’* it implies that trust between the partners has more influence on the relationship than the contract.

*“I think for us in this scenario, its more about mutual understanding not the contract that we have because RED has been working with us for the last seven years. We got into a more formal contract about 2 years back in 2014 that we started paying them a fixed amount”. (Hassan, Bank)*

Trust between the partners seems to be more influential in resolving the disputes between the business partners. The following extract highlights the importance of trust over contract.

*“....there is definitely a written contract that needs to be signed by both the parties ....because there is a confidentiality issues so definitely paper work is required....and if the agency is reliable, you will have mutual understanding but if something happens or goes wrong, one should have a written contract”.  
(Saima, Bank)*

Saima’s description about the role of contract in their relationship depicts that for the smooth running of the business operations, trust rather than the contract is essential.

Omar in the following transcript distinguishes that in the professional services such as in the banking and telecom sector, a contract cannot establish a business relationship due to the complex and varied nature of the business operations. There are some attributes of the services that cannot be written down in detail in the contract between the parties. These attributes can be the operational nature of working practice as described by other respondents in the previous quotes. Also due to the high frequency of work between the agency and client, things keep changing which does not allow both parties to make an agreement before time.

*“The contract do provide us the guidelines that we and the agency follow but we don’t follow it on the day to day basis. The contract just states the length of the relationship or certain boundaries or the payment procedures. But our daily matter are not mentioned on the contract. Everything is not written on the contract.” (Omar, Bank)*

Based on analysis of the findings, the following figure shows the elements and influential factors of a contract between the agency and client.

Figure 4.10 Role of Contract in the Agency-Client Relationship



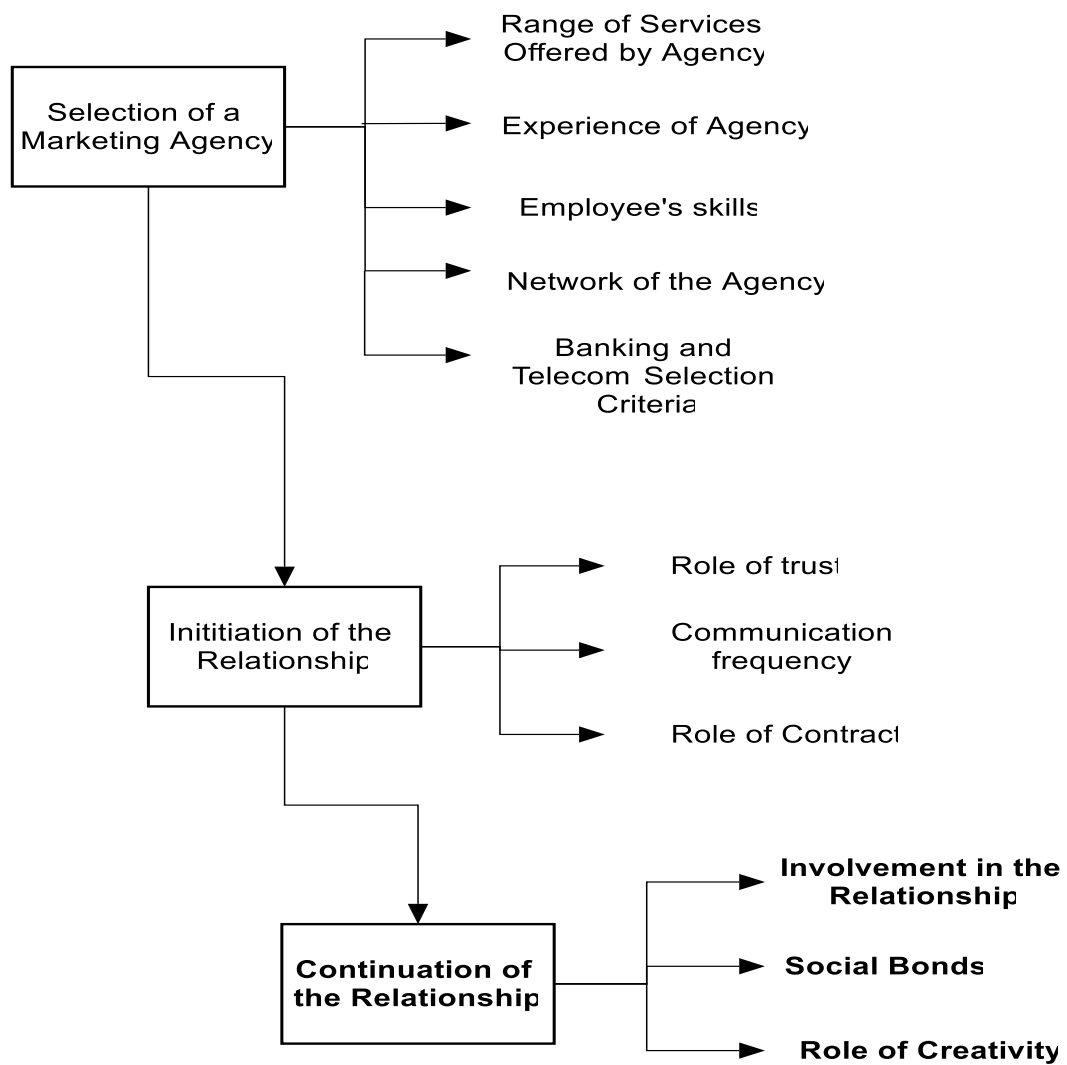
### 4.3 Stage 3 of the Agency Client Relationship

This section describes the research participants' viewpoint about the continuation of their relationship. The following three themes emerged from the findings that illustrate the elements which are important in the continuation of the agency-client relationship. All three factors appear to be of equal importance that determine the continuation of their relationship for a longer period. Two determinants identified in the conceptual theoretical framework at this stage i.e. 'Contract' and 'Proactivity' did not appear in the findings of this research. 'Contract' appeared in the second stage of the relationship as discussed in the previous section. The following table shows that no new themes emerged from the findings of this research. The themes that emerged from the findings are the same that are identified in the initial conceptual theoretical framework.

Table 4.7 Existing and New Themes in the Third Stage of Agency-Client Relationship

Existing themes from Literature	New themes from Findings
Involvement	-----
Social bonds	-----
Creativity	-----

Figure 4.11 Continuation of the Relationship





### 4.3.1 Theme 3(a): Involvement in the Relationship

This theme captures the respondent's viewpoint about their involvement in the relationship. In the findings, the length of the relationship appears to be a key factor of determining the level of involvement of both parties in their relationship. Furthermore, the level of involvement also appears to determine the intension of the business partners to establish the length of the relationship. The findings examines the length of relationship of each relationship and then determines the intention of the business partners to maintain the relationship based on their level of involvement in their relationship. The following table (Table 4.8) shows the length of relationship of the selected clients with their marketing agencies:

Table 4.8 Length of the Relationship

Organizations	Length of Relationship (approx.)
<i>Askari bank</i>	2 years
<i>Khushali Bank</i>	10 years
<i>Summit Bank</i>	3 Years
<i>Mobilink</i>	10 Years
<i>Telenor</i>	11 Years
<i>Ufone</i>	16 Years
<i>Zong</i>	8 Years
<i>PTCL</i>	6 Years

The above table shows that the banks keep relationship with their marketing agencies for a short period (with the exception of one bank) as compared to the telecom firms. Although the Khushali bank had its relationship for almost 10 years, however as explained earlier by one of the respondent that they were in the process of hiring a new marketing agency. This shows their intension to quit the relationship with the existing marketing agency. Other than this, the Khushali bank also hires other agencies for their marketing campaigns. Therefore, their relationship with the existing marketing agency is not consistent. On the other hand, comparatively it appears that the telecom companies keep the relationship with their marketing agencies for a

longer period. All the selected telecom companies (except Mobilink) have been working with the same agency since they started their business in Pakistan. As the respondent described;

*“Mainly I think it was procurement driven that didn’t want to be dependent on the same company. When Mobilink was won by this company 10 years ago, our affiliation counted a lot at that time. The Karachi office had all the animation and production house itself.... You can say we provide the whole package”.*  
(Sameer, AT)

As discussed earlier that the level of involvement with the business partner is highly influenced by the length of the relationship. It emerged that the telecom companies have developed a high-involvement relationship with their marketing agencies however, they are not involved with the external business partners which are part of their network such as maintaining relationships with the media houses. It appears that the clients are more involved with their marketing agencies when they are working on the initial ideas of the campaign. For example, Sara’s statement implies that keeping relationship with external partners is the task for their marketing agency. Therefore, they do not get involved with other relationships.

*“For a creative agency it’s very important that they have relationship with different production houses, because creative agency deals with TVC and other production. So it’s very important that they have well established relationship and connected with production houses and the directors.”* (Sara, Telecom)

The findings also highlighted the importance of location of the agency that reflects to some extent on the involvement of both partners. It was noticed that all the selected agencies that have been working with the telecom companies have their offices situated within the close proximity of their client’s head office and within the same city. They have almost daily face-to-face meetings with each other where they discuss their marketing campaign planning and other marketing related activities. Therefore, the location factor also appears to reflect on their involvement in the relationship.

It is noticed that the decision of relocating the office near the client's proximity is taken by the agencies. In the following extract, the respondent described that due to the high frequency of work, their agency changed their office location to the city where their client was located. It also implies that both the client and the agency intend to get into a high involvement relationship in the telecom sector so that their communication and coordination becomes easier.

*"They have been working since the start (16 years), in the initial stage of UFone, our head office was located in Karachi so they were coordinating with the Karachi office but gradually as the business expanded, they shifted their office in the same city. UFone is now based in Islamabad so we had to come in Islamabad". (Umair, AT)*

According to the PTA (Pakistan Telecommunication Authority) rules, every client in the telecom industry has to advertise for hiring a marketing agency after every three years. The agencies that are interested in working with the client are given a brief. A brief is a document that dictate exactly how the short-listed agency will present its ideas and approach to the client. The brief also ensures that the client is giving the right task to the right agency. It may include the information regarding the purpose of the marketing campaign, target audience, positioning and the estimated budget. Based on these criteria, the client then chooses the agency that best matches with its expectations. As Amir describes;

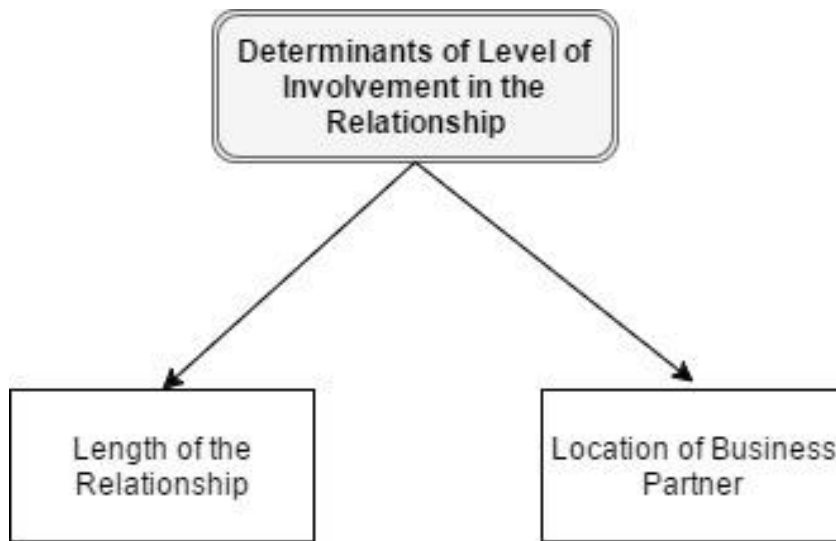
*"It's because the companies want to keep the same people with them and the PTA (Pakistan Telecom Authority) wants them to shift the employees. So that the new talent comes in the market". (Amir, AT)*

Amir argues that the PTA has formalized this rule so that the new talent comes in the market and new marketing agencies find their place in the market. However, despite this rule, the telecom companies are still working with the same agencies because they keep hiring the same marketing agencies after every three years, which shows their high involvement and commitment for working together.

The analysis of the findings implies that the banks and their marketing agencies keep their relationship on a low-level of involvement, which can be concluded by examining the short length of relationship between the banks and their marketing agencies. As discussed earlier that it becomes easier to break the relationship when the clients and agencies keep their relationship to a short-term duration. Other than the short length of the relationship, the location factor is another determinant that shows the level of involvement in their relationship where it is seen that particularly in the case of banks, their marketing agencies are located at far distance and in other cities of the country. Therefore, it reflects on the low level of involvement in their relationship such that they do not meet on a regular basis as it is found in the case of telecom companies where they have meetings on a regular basis.

On the other hand, the telecom firms have a high-involvement relationship with their marketing agencies and vice versa due to the fact that the length of their relationship is much longer where four of the selected telecom firms have been working with the same marketing agencies since the time they started their business in Pakistan. Also in the case of telecom companies, their marketing agencies are located within the close proximity of their offices and within the same city, which also reflects on their high level of involvement in the relationship. Interestingly, the analysis of the findings also shows that there is no involvement of the clients with the external business network such as the media houses or other agencies. The clients therefore leave the task of communicating and negotiating with external partners to their marketing agencies. Keeping in view with the above findings, the following figure shows the key determinants of the level of involvement in the agency-client relationship.

Figure 4.12 Key Determinants of Level of Involvement in the Relationship



#### 4.3.2 Theme 3(b): Social Bonds

Bilal describes the importance of social bonds in his relationship with the employees of the marketing agency as he explains the importance of social bonds that enable them to have a better understanding of their partner. These bonds enable them in communicating and understanding their partner when they have meetings with them.

*“...bonding is very important in our relationship because we have very frequent meetings....sometimes more than 3 or 4 in a day. In that case, we require the other person to understand exactly what we want to do and they can understand us better when we have such social and personal bonds with each other.” (Bilal, Telecom)*

Social bonds between the employees appeared to be a key factor that establishes smooth working relationship. Bonding between the employees of agency and client creates a ‘comfort zone’ for the both parties. As Adnan refers to the importance of the development and role of social bonds in the following extract;

*“...the type of work we and they are doing, it’s very important not to have rigid personalities because due to those rigid personalities, you tend to get disturbed a lot. You cannot be like in comfort zone when you are rigid, when you are not flexible, when you are not having a friendship, when you are not having relationships. So you would be losing a lot of business down the line.” (Adnan, AT)*

Frequency of meetings facilitates the development of personal bonds. The following extract implies that informal communication between the employees supports the notion of the development of social bonds between the employees, which ultimately helps to build good business relationships by knowing each other’s traits.

*“Yes, we have been working for a long time and we have a good relationship with each other. And with such partnership we have developed bonds, we go out on social gatherings, dinners.....so we know each other’s strong traits.” (Omar, Bank)*

It appears from the findings that trust is one of the key determinant that strengthens the social bonds. The analysis of the findings suggests that, the relationship between the agency and client is facilitated by trust that ultimately transforms into the formation of social bonds. As in the following extract Amir describes;

*“... the kind of bonding you have with them, it plays a part and it is essentially translated into trust.... It is essentially translated into an understanding whereby they are open to more ideas by you. It’s more like a partnership really. So yeah, over time you see them so often you end up developing relationships or a kind of a bond.” (Amir, AT)*

The respondent points out two interesting situations. In the first sentence of the extract, he argues that the trust between the employees is the key factor towards the development of social bonds. It implies that when the employees start trusting each other, then their trust is translated into the development of social bonds between them. The second sentence of the extract implies that more frequency of meetings

facilitates the development of such bonds between the employees. This means that more frequent communication is a key determinant that helps in the development of social bonds between the employees.

Saad's explanation seems to imply that it is the trust that develops social bonds between them. The bonds between them not only makes them comfortable to work with their clients but it also facilitates in the quality of work they do for their client.

*"...coming back to that factor, the trust, if the agency trusts the client or the client trusts the agency, they will have a personal relationship. What they do that even if I ask them to do something beyond office hours they will do it. Because I will not demand such favours on regular basis. We are not giving them an order, it's more like a request that this is urgent. Because of the relationship we have with them they will do this for us. It happens very rarely but it does happen. If you don't have a good relationship with your agency and more specifically with their staff then they will do the work for you but it wouldn't be good." (Saad, AB)*

Other than the advantages of bonding in their relationship such as enabling the employees to have a better understanding of each other and acting as a binding force in their relationship, social bonds also act as a mean to help lead to new business. For example, Salman presents an advantage of developing social bonds with the employees that if they have a social bonding with an employee of their client, then the employees become a reference point for them, which could lead to new business for them.

*"Eventually these bonds are developed as the time passes. When a person has back and forth interaction then you match the mind set frequency. They sometimes call us for personal work due to these bonds and trust. We are also interested to develop such bonds so that if the person switches to another company he/she can become a reference point for us." (Salman, AB)*

Based on the findings and to summarize the analysis, the following key points emerged that illustrate the influence of social bonding on agency-client relationship in the given context.

Table 4.9 Role of Social Bonds in the Agency-Client Relationship

- Social bonds enable the employees to have a better understanding of each other
- Social bonds establish a smooth working relationship
- Social bonds help to take personal favours from each other
- Trust is a key determinant that develops social bonds

#### 4.3.3 Theme 3(c): Creativity

Creativity emerged to be a key theme that is highly valued by the clients. The continuation of agency-client relationship is influenced by the level of creativity that is specifically offered by the marketing agency. It is argued that creativity of the agency's work is directly influenced by the client's initiative of presenting new and innovative ideas. In this section, the respondent's view on the initiative of creativity was explored. The evidence from the findings demonstrate that the clients seemed to be facilitating the agency in its creative work by setting up clear directions for them to follow. However, there are other factors that influence the creativity in agency's work that will be analysed in the following discussion.

From the findings, it appears that creativity cannot be defined in one way. It is about being imaginative and presenting new ideas. Fawad describes how the creative work takes time because being imaginative and presenting ideas is a difficult task for the agency;

*"In creative work you can't say that you can do a TVC concept in one day. Creativity is something different. It can work like this in one moment or you can think about something for days and nothing is coming up. Nothing is coming up of that level that needs to be shared. It's not finance, it's not accounting where 2 plus 2 is equals to 4. Creativity is different. It's like writing some poem, some song, you can't say that I am going to write this song now. It needs to be imaginative.....and we do understand that and they (agency) have got stuck."*  
(Fawad, Telecom)



The above extract implies that creative work requires time and the client has to give extra time to the agency to come up with creative work/ideas. It emerged that there is a difference of opinion regarding the creativity of the agency where in some cases, the agency takes the initiative and comes up with an idea that is discussed with the client and based on their communication, the agency then works on the initial idea. However, in the other case, the client sends the brief to the agency and the agency works on that brief. Specifically, in the banking sector, this practice appears to be more common such that the agency waits for its client to give them a brief or an idea and after sharing the idea or brief, their agency starts working on that. For example, Zahid who works in a bank explains that;

*“In our meetings, we tell them about the product that we want to launch or the product that we want to market to the customers, then they come up with creative ideas and send us a brief. We give our input in the discussion... however if you ask me about the initiative then definitely it is taken by the agency”.  
(Zahid, Bank)*

Zahid acknowledges that the input of both parties is required however, he is explicit in his assertion that it is the job of the agency to bring new creative ideas for the client. In a similar manner, another respondent (Saad) describes that the initiative of bringing up new creative ideas is taken by both parties. He describes that his agency waits for their client to brief them about what they have to do. However, mostly it is the agency that takes the initiative and presents the ideas to its client.

*“New ideas are always there because everything they have asked us to do we are giving them, new ideas are born every day and shared with the client. The task is always given by the client that you need to do this.....For example the bank has their anniversary in August so we are planning well before August for whole day campaign. That is branding their branches, releasing their print ads in the papers. That is done beforehand and ideas are given and shared with the client”. (Saad, AB)*

The following extract depicts the process of preparing a brief and then explains the role of agency and client of working on that brief. As argued by other respondents that

primarily it is the job of the marketing agency to bring creative ideas for their client. However, Sami explains that sometimes when the client knows exactly what they want, so they give directions to their marketing agency.

*“Now what happens is that whenever we have a new offer, whenever the business need comes, we jock down a brief, a detailed document which has the complete background of why this campaign has been launched. That brief is then sent to the agency .....we do give them a direction and at times the direction is a bit too direct. At times when we know what we exactly want, we will just tell them that this is something that we want and they would package it and then comes back to us”. (Sami, Telecom)*

The main reason that facilitates the marketing agencies to be creative depends on how good the client briefs them. At times, the agencies take their own initiative of bringing new ideas and sharing them with their client. However, mostly when the client tells them about an idea then the agency's creativeness is highly dependent on how clearly the client has communicated the brief. As the following two extracts illustrate;

*“....the briefing part lies with the brand team so if the brief is very good and we brief them very good then they come up with a good idea. So it depends on the client and how good they brief them..... At times we also brainstorm together for new creative ideas.” (Sara, Telecom)*

*“It's primarily the task of the advertisement agency. But it is something in our mind, we do share with them. If something in my mind, I will ask them, can you fix it, can you proof it, it's not worthy.....it's both ways, there is not fixed thing.....mostly the agency will propose us. Keeping in mind my art directions, the scores, the objectives, the target market, the USP's, the bullseyes, they propose that this is the action that we should take. Primarily it is the job of the advertising agency.” (Fawad, Telecom)*

Saima whose bank was in search of a new agency argued that in their relationship with their existing marketing agency, all the ideas were given by the client to the agency. Her argument implies that it is one of the key reason that is why her bank is changing its marketing agency. This also implies that the continuation of the agency-client

relationship and its longevity is highly dependent on the creativity of the marketing agency.

*"....right now we have to generate content and provide them...whereas they are supposed to be doing that. Creativity not in the perspective of designing but in written form is required....but usually we provide the information....if there is an ad that needs to be posted we design it." (Saima, Bank)*

The analysis of the findings suggests that in the telecom sector, the clients and agencies mutually work on new creative ideas. However, the initial ideas are given by the marketing agency. Junaid who works in a telecom company explains that it works on both ways that sometimes the agency brings up the ideas and the other times, his company might bring the ideas and then they sit together and discuss with each other and take the decision that better suits them.

*"Most of the ideas come from the agency but then once we have the ideas on the table, we change the ideas and by we mean my team." (Junaid, Telecom)*

Creativity is found to be dependent on how much authority is given to the marketing agency to make its own decisions. Keeping in view the element of creativity, one key difference between the marketing of banking and telecom sector is explained by Salman. He explains that creativity is compromised in the banking sector because the clients do not delegate authority to their agency to take their own initiative to bring new creative ideas. Instead of allowing their agency to bring new ideas on the table, they dictate their agency to do only what they want from them. Salman further argues that in the banking sector, the clients are not as professional as compared to the telecom sector.

*"It depends on the brand manager of the bank and his experience. In the banking sector particularly, the person who is looking after the marketing, he usually does not has much experience.....The people who give the approval, they are from the financial institutions.... they understand the finances..... not the creativity.... The communication in the financial sector is basically based on the numbers .....not on the creativity...." (Salman, AB)*

In terms of undertaking creative work, it emerged that time is a major issue that the marketing agencies demand from their clients. This is clearly manifested through the following phrase *'there is plenty of time needed to produce creative stuff'*. The respondent asserts that the clients should give their agency plenty of time to do something creative for them.

*"In terms of campaign forecast. Seeing what we need to produce before time. So there is plenty of time needed to produce creative stuff. At the same time also some less red taping would affect.....the approval processes takes too long....that's a lag.....that is what they can improve at their end. Some processes can be improved." (Hassan, Telecom)*

Furthermore, in addition to the element of time where creativity is compromised due to less time given by the client to the agency, Umair explains a reason where the clients dictates the agency exactly what they want. In this scenario, the creativity of agency is compromised because agency does not take the initiative of working on creative ideas for the client. The following two extracts illustrate the agency's viewpoint on the concerns about creativity.

*"....there are somethings, which do not need dictation if they want something which is out of the box. Whatever they tell us, we exactly execute that in that manner. Mostly now this trend is getting down. That before we used to take our initiative, our creative ideas.....the ratio of those creative ideas executed or excepted is very low.....the percentage is very low. For example, if we have given ten ideas, only two were excepted. So the clients want exactly what they want which decreases the creativity of the agency. (Umair, AT)*

*"I think at the agency end we need more leaders than the followers. If they have their own opinion, they would not say it. They just follow it. This is how I feel." (Umair, AT)*

From the findings, it appears that although a detailed brief is required by the marketing agency to bring creative ideas and solutions for their client however, the agencies do not want to be dictated by their client, which in their opinion affects the creativity. The findings shows that there is a very narrow difference between setting

up clear directions to the agency and dictating them about what they should do. If the agency is given a detailed brief and initial ideas then it will be more creative if the client does not interfere while the agency works on that brief. Mainly this practice is seen in the banks that they send the detailed brief to the agency which then brings creative ideas on the table for them to decide. Whereas, this practice is also common in the telecom sector but they also allow their marketing agencies to come up with new creative ideas. However, for this practice where the client allows the agency to come up with its own creative ideas, the factor of '*time*' appears to be an important factor where the agency requires more time from its client. Creativity appears to be directly related to the quality of brief which means that if the brief contains detailed information then it becomes easier for the agency to think about and present creative solutions for their client. To summarize the findings from this section, the following key points illustrate the factors that are extracted from the interview transcripts regarding the aspect of creativity in the agency-client relationship.

Table 4.10 Influence of Agency and Client on Creativity

- Primarily it is the task of the marketing agency to bring creative ideas on the table
- Clients facilitate the agency in its creative work by setting up clear directions
- Dictation or interference by the client decreases creativity of the agency

#### 4.4 Stage 4 of the Agency-Client Relationship

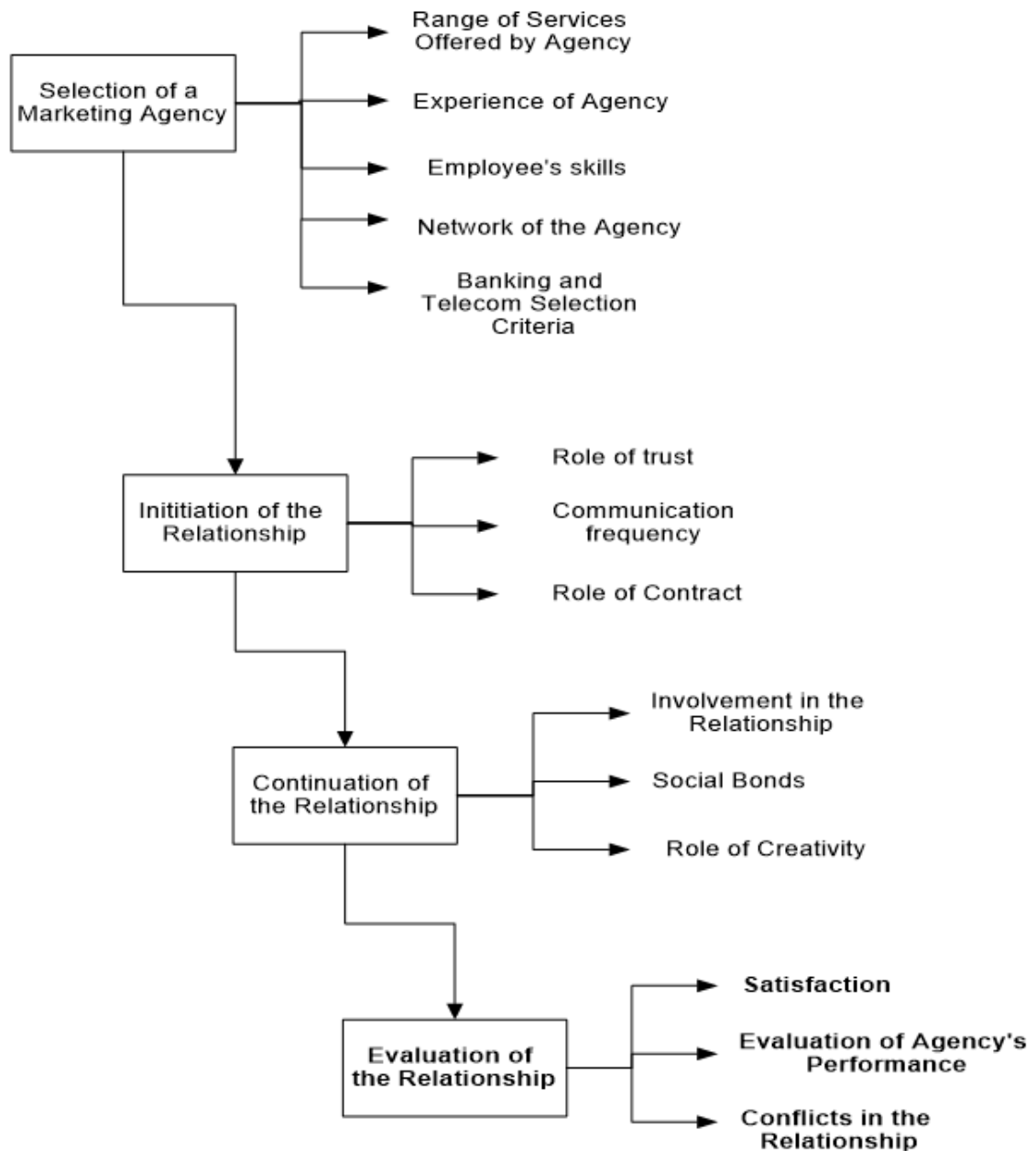
Based on the responses, three key factors emerged that are significantly important at the final stage of the agency-client relationship. Figure 4.13 below illustrates the key factors that are identified based on the findings in the fourth stage of the agency-client relationship. The evidence from the research findings suggests that if both parties address these factors properly then the conflicts between the agency and client can be

avoided. The following table shows the existing themes and the new themes that emerged from the findings of this research. 'Control' as a determinant at the last stage of the agency-client relationship that was identified in the initial conceptual theoretical framework did not appeared in the findings of this research.

Table 4.11 Existing and New Themes in the Third Stage of Agency-Client Relationship

Existing themes from Literature	New themes from Findings
Satisfaction	Evaluation of Agency's Performance
-----	Conflicts

Figure 4.13 Evaluation of the Relationship



#### 4.4.1 Theme 4(a): Satisfaction

This theme presents the respondent's views about relationship satisfaction. Satisfaction was evaluated in terms of how the respondents evaluate their relationship and based on their evaluation, the future of their relationship is determined. The evidence from the findings suggest that evaluation of the agency-client relationship is not carried out based on the financial benefits that each party gets from the other

partner. There are other factors which are more valued such as the proactivity of the agency, the right skills of the employees and the creativity aspect.

From the client's viewpoint, the proactivity of the agency appeared to be an important factor that determines client's satisfaction. The proactivity of the agency in the relationship means that the agency comes up with new creative ideas for the marketing of services on behalf of its client. However, it appears that proactivity of the agency in terms of bringing new creative ideas for its client is highly valued by the client that belongs from the telecom sector as compared to the banking sector. As the following respondent from the telecom sector explains;

*"In every relationship, it's hard to find a person who says that I am totally satisfied..... The communication skills, the communication language, the communication tool, the communication environment, there is always room for improvement...Why do they always wait for us to brief them....." (Fawad, Telecom)*

The extract above suggests that the client want its marketing agency to be proactive in its approach and the agencies should not wait for the client to give them the direction rather they should be proactive to bring ideas for the client based on their experience and skills. Similarly, Bilal shows his concerns about the agency's proactive approach and argues that;

*"If the agency is proactive in its approach, I can easily judge.....because if they are coming up with new creative ideas and proactively engaging with us, that is what we need from them." (Bilal, Telecom)*

It appears that the clients also associate their satisfaction with the skills of the employees of their marketing agencies. Clients want their agencies to have people who have the right skills set. It may be because their requirements with every marketing campaign changes and they require their marketing agency to have people in their team who have the expert knowledge. As the following respondent argued that, the agencies should have the right skill set that matches with the requirement of the client and the agencies should utilize these skills to benefit their client.



*“..... probably what they lack is bit towards the strategy side. So may be if they sort of start bringing in more people who are strong on brand strategy might sort of us help us.” (Sami, Telecom)*

Sami's statement implies that even though they are working with their marketing agency for a while however, they want the people who have the right set of expertise. It is found that due to the fact that the clients (particularly the telecom sector) are interested in taking new creative ideas from their marketing agency and also because the marketing environment is ever changing with the development of new technological advancement such as the emergence of social media and mobile advertisement. Therefore, the clients want their agencies to have such people in their team who can work with them on these new marketing platforms. There were few concerns showed by the agency personnel as well regarding the element of relationship satisfaction with their client. For example in the following extract, the respondent shows his concern about the client's behaviour. His argument implies that the clients in Pakistan avoid taking risk. The clients in Pakistan (particularly in the banking sector) are more concerned about the finances rather than the creativity. His argument also implies that sometimes creativity is also compromised due the authoritative nature of the clients.

*“Actually, there is always room for improvement and we are always guiding them and telling them. In Pakistan, clients are not risk takers whereas, in India or Europe they take risk. They will put a dot on a full-page paper with a single line. In our industry, if there is a full page add, they will tell us to just fill it up and don't leave any empty spaces. So this mind set needs to be changed.” (Saad, AB)*

As it appeared earlier in the previous section, marketing agencies require some autonomy when it comes to the element of creativity. It emerged that the clients also need some autonomy to take their own initiative in planning and designing work on behalf of their clients.

*“In Pakistani market, I have worked for the last 8 years now and I can clearly see that this market is driven by the client, not by the agency. In the international market, the agency drives the client. The agency tells the client what to do. How to go about your advertising and marketing. But in Pakistan this is the irony that the clients drives the agency.” (Adnan, AT)*

To conclude the findings regarding evaluation of agency-client relationship in terms of their relationship satisfaction, the following key points emerged from the interview transcripts:

Table 4.12 Factors that influence on Satisfaction of Agency and Client

- Proactivity of the agency for bringing new ideas for the client
- Agencies that have the people with the right skills set
- Agency’s satisfaction is highly dependent on the autonomy given by the client.

#### **4.4.2 Theme 4(b): Evaluation of the Agency’s Performance**

The findings suggest that evaluating the agency’s performance by their client is important in determining the continuity of the agency-client relationship and it also has an effect on the strength of their relationship. It appeared that the agencies are being evaluated through different stages that begins from the start of their relationship to the measurement of their campaign’s success. Firstly, the marketing agencies are evaluated based on their performance, reputation and credibility. Then, they are being continuously evaluated on their performance with their clients based on their achievement against set objectives. Therefore, the success of the marketing campaign directly reflects the positive evaluation of the marketing agency. Bilal explains how he and his team evaluate their marketing agency;

*“If the agency is proactive in its approach, I can easily judge.....because if they are coming up with new creative ideas and proactively engaging with us, that is what we need from them.” (Bilal, Telecom)*

As discussed in the previous section, the proactivity of the agency influences the satisfaction of the client. Here it also seems that the clients evaluate their marketing agency based on how proactive they are in terms of bringing new creative ideas. This appears to be one of the key area where the client values its agency's proactive approach. In terms of evaluating the performance of marketing agency, the time-scale of the evaluation depends on each client however, there is an ongoing evaluation process by the client.

*“.....after one year. But that does not means that you do not re-evaluate them within the course of 1 year. You keep on doing this. This is something just more qualitative. We just look at how they are progressing, what are the inputs they are giving, how much involvement their higher management has with your projects and you keep on documenting these things in your brain. After one year when you are evaluating them, those things jumps out.....”(Fawad, Telecom)*

From the interviews, it emerged that the clients' major demand from their marketing agencies is regarding 'meeting deadlines'. The clients also evaluate their marketing agencies based on the delivery of work on the specified time. It appeared that the agencies also recognize the significance of 'time' in their relationship evaluation, as the following extract depicts;

*“...well the analysis goes as far as successful campaigns are out and we are consistently meeting deadlines, deadlines are very important when it comes to telecoms. And after deadlines, it's the effectiveness of the communication that we do.....(Amir, AT)*

From the analysis of the findings, it appeared that there is a clear difference between the evaluation process of agency's performance by their client in the telecom as

compared to the banking sector. Such that in the telecom sector, the firms make use of certain tools to quantitatively measure their agency's performance. For example, the respondents described the use of KPI's, ARM and statistics derived by the regulating bodies in the country. KPI (Key Performance Indicator) is a performance measurement tool that evaluates the success of an organization or of a particular activity in which it engages. Performance indicators differ from business drivers and aims, therefore in their KPI it appears that they use the objective and success rate of their campaign as the key indicators of their performance. As one of the respondent describes;

*"We have yearly KPI's, for the agency... We evaluate them based on KPI's."*  
(Sara, Telecom)

Another tool used to evaluate the agency's performance as described by one of the respondent was ARM. ARM is an agency relationship tool that they use to measure their performance. Similarly, another tool used to measure the success of the campaign is the BHT (brand health tracker). As the following respondents argued;

*"...there is this thing called 'ARM' that means the agency relationship management tool that we deploy and we have been deploying with other clients as well and we do these meeting quarterly or every 6 months where we evaluate the delivery, the relationship and certain things. It is a mutual thing with the client that we do. It's an on-going assessment."* (Amir, AT)

*"We have many tools in our department that we use to measure the success of the campaign such as the brand health tracker, which tells us how our service or new package is going in the market and whether our customers are actually linking it or not."* (Bilal, Telecom)

To present themselves credible and efficient, the marketing agencies strive hard to get the awards, which can then earn them recognition among the market. The marketing agencies also endeavour to get recognitions from the recognized bodies that are present in the country. On the other hand, these rankings and recognitions help the clients to evaluate their agency's performance.

*“There is an evaluation body, which is called PAS (Pakistan Advertising Society), they rank the advertising agencies, they rank the advertising of telecom sector, and different sectors. So, with the advertising, Ufone is number 1. So that’s how they rate us that where do we stand”. (Umair, AT)*

In the relationship between particularly the banks and their marketing agencies, the findings suggests that the agencies do not play any significant role in the evaluation or outcome of their services. It is up to the clients (bank) to do the research themselves or they hire external agency that conducts research on their behalf. As the following extracts illustrate;

*“it depends they might tell us about what they want for example, if they want deposits to increase to 20 or 30 %. Sometimes that’s given. They wouldn’t necessarily say that we want or require a 30% increase or if that is not achieved we would consider your campaign to be un successful. Because obviously that would require a market research firm or someone to do a post campaign analysis, something like that. No one does that.... So even if those indicators are given, it’s kind of a pointless exercise, unless you have a research firm working closely with you.” (Rehan, AB)*

*“The research is done by most of the clients and you need to define budget to do the research. Most campaign analysis are done on the basis of research. Not all clients do that. That is just a guess and we assume that this campaign has that much response. May be talking to the customers directly but professionally you can’t measure it.” (Saad, AB)*

The above two extracts describe that in the banking sector, the clients nor the agencies make use of evaluation tools They tend to evaluate the success of their campaigns by getting an impression from consumer’s feedback and looking at the indicators of the sales target. The marketing agencies for banks also do not have any in-house research facilities where they can do research by using certain tools for their campaign evaluation.

On the other hand, in the telecom sector the agencies and clients both use different research and campaign measurement tools to analyse the success of their campaigns, which also leads to the evaluation of their agency’s performance. For example, Sami explains about his telecom company that uses two different tools for analysing the

campaign response. The first tool is used to check the subscription of the services against the offer and the second tool is used to test the recall and likeability of their AD's.

*“Our business is very direct, we can find that on daily basis how many offers have been subscribed, how many people have actually bought the sim cards and what type of customers are coming. We know that this AD is launched for that offer and then how many have subscribed to that particular offer. So we can find out.... Number 2, when there is an AD that goes on to the TV, we test it.....where we see that what was the recall, its likeability, whether the message was delivered or not, and how many people understood that message. These all things we look at through research every month.” (Sami, Telecom)*

The first part of Sami's extract implies that the evaluation in the telecom is straightforward. It appears that the difference between the evaluation of the agency's performance in banking and telecom sector is influenced due to the nature of business. In the telecom services it seems more straightforward to evaluate the marketing agency's performance. As the respondents from the telecom sector explained, they can evaluate the success of their campaign by using the data to check the subscription of the services or by testing the recall and likeability of their adverts. Whereas in the banking sector it seems more difficult to evaluate the success of marketing campaign in a straightforward manner. It also appears that perhaps the clients have less interest in the banking sector to evaluate the campaign success.

It is clear that in the telecom sector, the clients and agencies make use of various tools to measure the performance of their campaigns such as the BHT, ARM and KPI's. In this manner, the clients can also get to evaluate their agency's performance. However, in the banking sector, the marketing agencies are not evaluated by their clients in any formalized manner, such that they do not make use of any evaluation tools as they are used on the telecom sector. It appeared in the banking sector, the most they can do is to compare the post-campaign data with the pre-campaign data. As the respondent described;

*“In our case the outcome is very different, we do not have fixed tools to measure. What’s our criteria is that we pick up the data for the previous month or the previous months and compare the data after the launch of the campaign.” (Hassan, Bank)*

Only one example appeared from the respondents belonging to the banking sector in which it emerged that it was possible for the marketing agency to evaluate the outcome of their marketing campaign. The bank launched a loyalty card scheme for its customers and gave the task to their marketing agency to promote their loyalty card. The bank asked them to evaluate the success of their loyalty card campaign. The respondent described that it was a straightforward evaluation in which they evaluated the campaign based on the number of times the loyalty card was swapped by the customers. As the respondent narrated;

*“the company did a research on the number of times the loyalty card was swapped.” (Salman, AB)*

However, this individual case relates back to the nature of business operations in which the evaluation or measurement of the campaign was possible for the bank. The following points concludes the findings;

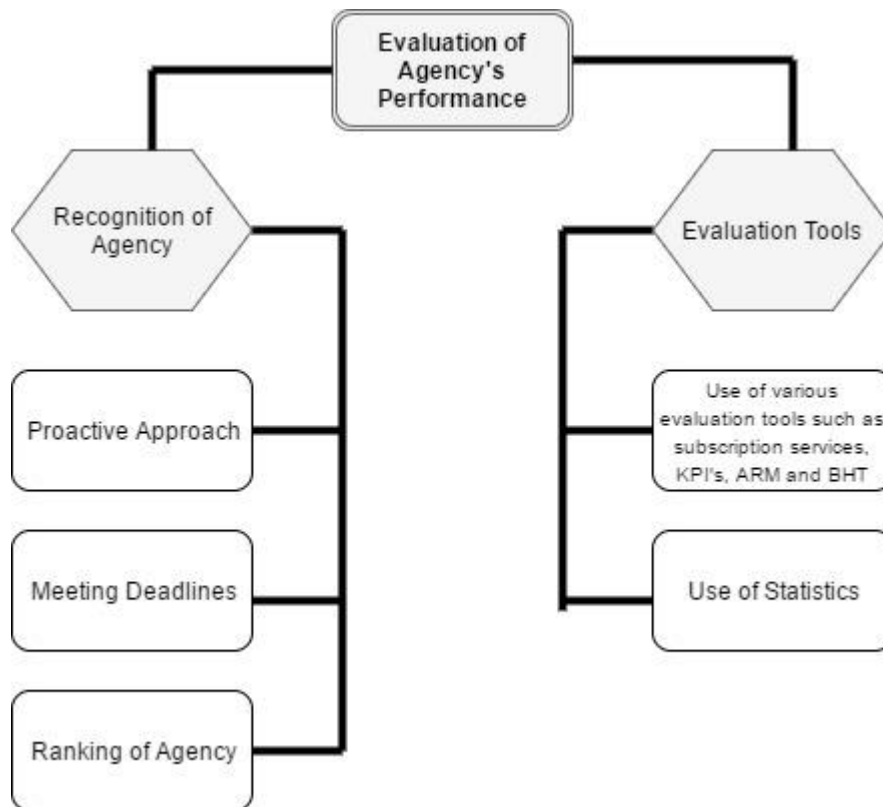
Table 4.13 Key Findings on the Evaluation of the Relationship

- The evaluation is undertaken on an on-going basis and at the end of campaign.
- Evaluation of the agency includes; meeting deadlines and proactivity of the agency for bringing new ideas for the client
- Evaluation is also undertaken by the use of evaluation tools such as KPI's, ARM and BHT.
- Agencies strive to get recognition from different societies and associations, which reflects a positive image on their evaluation.
- The type of evaluation is dependent on the nature of business such that banks do not make use of evaluation tools which are used by the telecom sector whereas, the telecom firms make use of several tools for the evaluation of their campaign and their marketing agency's performance.

Based on the analysis of the findings, the following figure describes the type of evaluation that is undertaken in the given context.



Figure 4.14 Evaluation of Agency's Performance



#### 4.4.3 Theme 4(c): Conflicts in the Relationship

This section highlights the issues and conflicts that arise in the agency-client relationship. From the findings, there appears to be no significant difference as far as the causes of the conflicts between the agencies and clients is concerned. The two prominent reasons that emerged from the findings are; the availability of time in terms of tight deadlines given by the client to their agency and the way clients give brief to their marketing agencies. These reasons also appears to directly effect on the creativity of agency that ultimately raises issues and conflicts in their relationship, as the following extracts illustrate;

*"..... sometimes the frequency is so much that we are presenting 4 concepts against 1 brief in a day being rejected and then working on 4 different concepts and presenting the same day.....sometimes....or the day after. So it gets as hectic as that. And if these are the kind of timelines we are dealing with sometimes creativity is compromised." (Amir, AT)*

Here Amir presents an example where he establishes a link between the limited availability of time from the client that results in less creative work. In another extract, the respondent raised a similar concern;

*“....that essentially means one and a half campaign per month. Which means one and a half TVC per month.....which is a lot. So yeah, there are times that we have some problems with the client because they are not giving us enough time to work on the campaign.” (Sameer, AT)*

The concerns on the ‘availability of time’ was mainly raised by the agencies that they get tight deadlines from their clients. Therefore, with these deadlines, the creativity of their work gets compromised which ultimately effects on their relationship with the client. In relation to the causes to conflicts between the agencies and clients, also to emerge was the information communicated by the client in the brief, which is sometimes not detailed. As the extract below illustrates;

*“.....there are times when you lose your temper because sometimes they wouldn’t give proper brief.” (Sameer, AT)*

*“.....sometimes they will give their feedback and sometimes you do not like their feedback because their brief was given in one way then they want totally something different.” (Sameer, AT)*

The brief acts as a verbal and formal form of communication between the marketing agencies and their clients. The findings suggest that the problem here is with inaccurate client briefing. Sameer describes that their client did not brief them properly which causes issues in their relationship. This relates back to the issue of use of communication channels between the agency and client where the clients do not communicate the information to the agency in a manner in which they intend to. Thus, the miscommunication between them causes conflicts over the quality of work. As the role of communication is discussed in (theme 2), which suggests that communication plays an important role in the success of the agency-client relationship. It appears that

the key determinants of communication, which are discussed in the theme (2 b) titled 'communication frequency' such as the frequent use of direct and indirect communication, role specification and common rooms may help the agency and client to reduce the chances of conflicts that are caused by miscommunication. The analysis of the findings suggests that if the information regarding the brief is communicated properly then it will increase the efficiency of the agency.

It is of note that the conflicts in the agency-client relationship are not escalated due to several factors that bind them together such as the level of trust, the formal contract and frequency of meetings between them. These factors reduce the tensions between them. Interestingly, it appeared that these conflicts between the agencies and clients do not escalate to the level where they decide to quit their relationship. As the following extracts illustrate that once the client and agencies have a relationship which is based on trust and commitment then they do not blame each other as they work as a team;

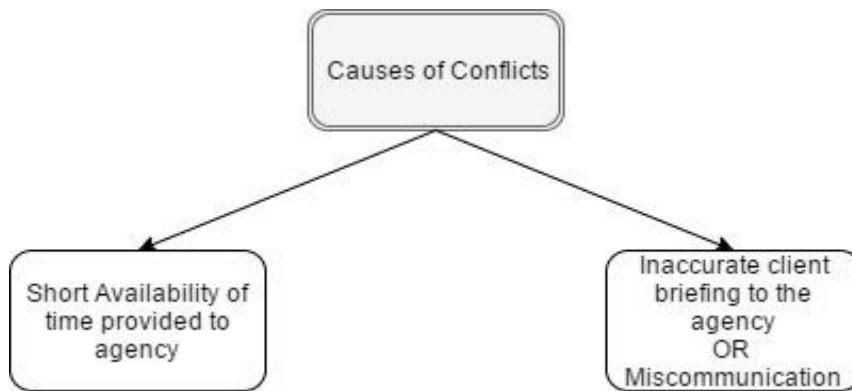
*"We are involved with the creative agency day in, day out for every campaign so whatever they develop, we are the ones who are going to approve. So if there is any unsuccessful campaign, we are not going to blame the agency for that because we were also part of that campaign." (Sara, Telecom)*

*"May be sometimes the deadline is unrealistic. Sometimes may be we are not very clear about the brief. Sometimes a person got sick....." (Fawad, Telecom)*

The analysis of the findings suggest that the clients recognize that if there is an unsuccessful campaign then her firm takes equal responsibility. Particularly, in telecom sector where the agency and client have frequent meetings, they work as a team and if something goes wrong then they do not blame the other partner.

From the analysis of the findings, it can be argued that the main causes of the conflicts between the agencies and clients are as following. Due to these reasons, the creativity is compromised which effects on the work of the agency.

Figure 4.15 Causes of Conflicts between the Agencies and Clients



#### 4.5 Chapter Summary

This chapter has presented and analysed the information gathered from the qualitative study carried out in this research. The results of the analysis present a novel insight into the key determinants in the agency-client relationships, particularly within the context of banking and telecom sector in Pakistan. In drawing on the analysis of three types of data i.e. interviews, observations and documentary evidence, this chapter has provided an in-depth insight about the way the selected agencies and clients manage their relationship. Taking an interpretivist philosophical approach, the focus of this chapter was on the subjective meanings that are derived from the responses of the research participants. The initial framework that was developed after conducting the extensive literature review helped to formalize the interview topics. However, from the findings, some new determinants were identified that are discussed in this chapter.

- The first and noticeable finding from the analysis shows that there is a significant difference in the selection criteria of the banks as compared to the telecom firms in Pakistan. Therefore, a theme titled ‘banking and telecom selection criteria’ was included in the framework.

Essentially the evidence has shown some new aspects of the relationship between the marketing agencies and their clients. For example:

- It emerged that in the first stage of their relationship, the range of services offered by the marketing agency is one of the key criteria for their selection.
- Another key finding that appears to be distinctive in the given context is regarding the 'cost' factor. Particularly in the telecom sector, clients are not more concerned about the price that their agency might charge. Rather these clients prefer an agency that can provide them quality of services therefore, they do not seem to compromise quality over price.

As discussed earlier, in chapter 2 (section 2.3) titled 'agency-client relationship' has addressed many of the topics/issues that emerged from the findings of this research however, the analysis presented in this chapter has provided interesting insights into actual practices and issues in relationship management within the selected service sector firms in Pakistan. For example:

- The existing literature highlights the significance of hiring a full-service marketing agency. However, the literature fails to provide specific reason on why firms would prefer to choose a full-service marketing agency as compared to a specialist marketing agency. The findings of this research provide evidence that the clients prefer to choose a full-service marketing agency particularly within the context of service sector clients. The analysis of findings suggests the key motives behind the decision of hiring full-service marketing agency. The evidence shows that the preference over the selection of a full-service marketing agency is made based on some key factors that includes ease of communication, ease of coordination, accountability and one-window solution.

Another key finding of this research is related to managing relationships with the network of the marketing agency where it is found that:

- The clients do not negotiate or communicate with external parties, which are part of the agency's network such as the media houses and other market research agencies.
- The clients from both sectors prefer to choose marketing agencies with large business network however, they want the agency to communicate with external parties.

Furthermore, the findings provide detailed information about the benefits of having a large network from the agency's and client's perspective. A clear distinction between the preferences of banks and telecom firms is noticed. For example:

- The telecom companies prefer to hire an agency which has an affiliation with an international network to take advantage of their resources whereas, banks prefer an agency with a country/nation-wide network to mainly get discounts from the business partners of the agency.

Another key distinction emerged from the findings that gives an in-depth information into the selection of a marketing agency. Such that:

- The literature highlights the experience of a marketing agency as an important determinant in its selection. However, the findings of this research show that the clients valued the agency that has experience in their field of operation, as the relevant experience helps the agency to understand the work load and client's specific needs.

In the second stage of the relationship (i.e. the initiation of relationship), the findings present a more detailed account of how the key determinants that are identified in the framework are being practised. For example, the analysis in this research suggests that both parties (i.e. agencies and clients) have different understanding about the 'trust' in their relationship. Thus, it will be helpful for both parties to understand the level of trust from each other's viewpoint because it is one of the key determinants for the continuity of their relationship. The findings also suggest that:

- The frequency of communication between the agency and client in the banking sector is far less as compared to the telecom sector.
- While communicating with their agencies, banks more often use the indirect means of communication. Whereas the telecom firms communicate directly via face-to-face meetings and their frequency of communication with their marketing agencies is high as compared to the banks.
- Less communication has some negative consequences for the banks due to which they have more chances of having conflicts with their marketing agencies.

Furthermore, it is found that the contract between the agency and client has the same value and elements from the perspective of both sectors.

- It is found that, the contract between the agency and client has low influence on the operational nature of business practice in both sectors. It is a legal entity therefore; its value becomes more influential when there is a conflict between the both parties.

Another clear distinction is found between the banking and telecom firms where the agencies working with telecom firms are found to be more creative in their work due to the autonomy given by their clients. Whereas, banks tend to dictate their marketing agencies which ultimately reduces the creativity of their marketing agencies. The clients tend to evaluate their marketing agencies based on their agency's proactive approach for bringing new creative ideas for them and meeting deadlines. Whereas, agency's satisfaction is highly dependent on the autonomy given by the client. Finally, it is found that to avoid any conflicts, the agencies need more time for their work because the evidence suggests that their clients give them tight deadlines. The next chapter will present a discussion on the results in the light of the research objectives and literature.

## Chapter 5

### 5. Discussion

The previous chapter presents analysis of the data gathered from the two sectors (i.e. telecom and banking) and their marketing agencies in Pakistan. The analysis of the data highlighted the differences and similarities in the way agency-client relationships are practiced/managed in the banking and telecoms sector. As explained in Chapter 3, due to its particular nature, the analysis and interpretation of data in qualitative research may not be as straightforward as it is in quantitative research (Easterby-Smith *et al.*, 1995). Therefore, based on the approach for undertaking thematic analysis as explained and suggested by Braun and Clarke (2006) (Table 3.6), the final analysis of the findings includes relating back to the research question and objectives of the study to produce a scholarly report.

Rather than presenting the findings relating to the general knowledge of the agency-client relationships in the given context, it would be more appropriate to discuss the findings by relating them with the existing literature. Therefore, this chapter revisits the key findings raised by this study in relation to the research objectives to make the research contributions clearer. As formulated in the first chapter, the research objectives are as follows:

1. To critically evaluate the rationale for banks and telecom company's engagement with the marketing agencies in Pakistan.
2. To identify the criteria adopted by the banks and telecoms companies when selecting marketing agencies in Pakistan.
3. To evaluate critically how the relationships between clients and marketing agencies are managed, including the extent to which social exchange and social network perspectives have influence.
4. To make a theoretical contribution to the B2B Relationship Marketing (RM) literature by developing a framework that best describes the key



determinants of relationships between marketing agencies and clients in the banking and telecom service sector.

This chapter reviews each of the research objectives and presents the relevant findings based on the study of relationships between the selected firms. The previous chapter presents an analysis on the findings from the study, with a view to address the overall research aim i.e. to explore how the marketing agencies and clients maintain a business relationship within the banking and telecom service sector in Pakistan. The remainder of this section explores how and to what extent the research findings helped to achieve the research objectives presented above.

The research findings support the prevalent view in the existing B2B Relationship Marketing (RM) literature that geographic, cultural and industry factors influence the way B2B relationships are managed in different contexts (Thuman, 1992; Gronroos, 2006; Das, 2009). The research findings also showed that the nature of such relationships may also vary due to certain circumstances that includes; the type of industry sector and the particular requirements of an industry. Particularly the variations in the responses of the research participants (gathered in this research) highlight the key differences between the way relationships are being managed in the banking and telecom sector. As this research found that, the way the selected marketing agencies and clients manage their relationships differs depending on the particular requirements of the clients. Given this, it can be concluded from the findings of this research that a B2B relationship is a socially constructed notion, the construction of which is a subjective aspect in such a way where this research found that B2B relationships between the marketing agencies and clients are formed and managed in a non-standardized manner from the perspective of two different sectors, namely; banking and telecom sector.

The following discussion addresses the research objectives of this study;

## 5.1 Research Objective 1

- **To critically evaluate the rationale for banks and telecom company's engagement with the marketing agencies in Pakistan.**

To address this research objective, it is important to explore the needs and requirement of the clients and specifically the merits that the clients lack in terms of marketing expertise. Before making their decision for hiring a marketing agency, the clients analyse their requirements and specific needs, which they require from a marketing agency. Andersen (2001) considers this as the pre-relationship stage. At this stage, companies evaluate the best predicted outcomes and benefits of the relationship and then they choose partners and build relations (Lambe *et al.*, 2001). Their predictions are based on their domain knowledge and previous experience of choosing business partners. Therefore, it can be argued that the pre-relationship stage is about analysis and predictions. The pre-relationship stage differs from the first stage of the agency-client relationship (i.e. selection of a marketing agency), such that as discussed earlier, the pre-relationship stage is where the clients evaluate their strengths, weaknesses and customer needs/preferences and then based on their analysis they take a decision to hire a marketing agency (Andersen, 2001). Whereas, the next stage (i.e. selection of a marketing agency), addresses the selection criteria of the clients based on their evaluation and need of a hiring a marketing agency. Based on the findings of this research, the following discussion will explore the key determinants of pre-relationship stage.

### 5.1.1 Influential Factors in the Pre-Relationship Stage of Agency-Client Relationship

Despite the fact that all the selected organizations (i.e. clients) for this research have their own in-house marketing departments, the main motive for them to engage with a marketing agency is to allow the clients to focus on their primary business function (Backwith, 2007). The analysis of the findings resulted in the emergence of the following two key themes (Figure 5.1) that are considered as the influential factors in the pre-relationship stage of the agency-client relationships. Theme (A) is the 'Experience' and theme (B) is the 'Resources'. The agency-client relationship conceptual framework that is developed in Chapter 2 (figure 2.6) is based on the four

key stages in the B2B relationships as identified by (Ford, 1980 and Lambe *et al.*, 2001; Waller, 2004). However, to address this particular research objective, a pre-relationship stage is added here as presented by Andersen (2001).

Figure 5.1 Influential factors in Pre-Relationship Stage of the Agency-Client Relationship



## Theme – A (Experience)

### 5.1.2 Experience of the Agency

The first influential factor that determines the client's engagement with marketing agencies appears to be the '*experience of the agency*'. As no one can excel in all trades of industry, every firm requires a business partner that has specific desired experience – which in the context of this study translates into marketing experience. However, based on the findings of this research, experience of the agency is categorised into three sub-categories such as; the local experience, international experience and experience in the clients' field of operation, as these factors are categorized as sub-themes above in (Figure 5.1).

### 5.1.3 Local Experience

By hiring marketing agencies with local experience, the clients save additional resources that are required for marketing their services such as, hiring people with expert marketing knowledge and establishing contacts with various business partners such as the media houses and advertising societies. The findings of this research contrast and supports the study of (Gadde and Snehota, 2000 and Low, 2000). They present a similar perspective where they argued that organizations tend to outsource their several operations to other local firms that are experts in their field to optimize their business operations, which saves them time, resources and it also helps them to avoid technical complexities. In the context of this research, the technical complexities can be considered as the management of relationships with external business network partners. As the findings of this research indicate that the clients from both sectors tend to avoid in communicating with the business network partners of their marketing agencies, which saves them time and additional resources for dealing with such business partners that are not directly involved in the business operations. Moreover, in the context of the banks' in Pakistan, the findings of this research also suggest that particularly the banks in Pakistan prefer to hire a marketing agency that has a local business network affiliation (see table 4.3).

### 5.1.4 International Experience

An interesting finding that relates to the pre-relationship stage which links to the context of the country is the 'international experience' of the marketing agencies in Pakistan. As this research is conducted in a developing country (Pakistan) in which the local clients have limited resources (Ahmad and Ahsan, 2011). This study found that the clients prefer to choose the marketing agencies that have '*international experience*'. The marketing agencies along with their international experience bring resources in the shape of affiliations with international societies and marketing associations that also strengthens the marketing campaigns of their clients. Due to such affiliations of the marketing agencies, the selected clients in Pakistan make use of the tools and resources that are used in other developed countries and they also get access to various research tools through their marketing agency. This finding supports the viewpoint of Rahman and Azhar (2011). They found that due to intense competition particularly in the telecom sector in Pakistan, firms are using various

advanced marketing tools for marketing/advertising their services. This finding also supports Kaynak *et al.* (1994) study from another perspective, they argued that the technical means for delivering marketing message on an international basis are steadily improving and the businesses from the developing countries are devising effective and efficient ways for informing consumers through marketing. They further argue that marketers in the developing countries are making use of marketing techniques, which have originated and being applied in the developed countries. Keeping in line with studies as identified above, this research contributes to the understanding of the rationale for engaging with the marketing agencies particularly in the context of Pakistan and one of the key reasons for their engagement is the international experience of the marketing agencies.

#### **5.1.5 Experience in the Client's field of Operation**

Keeping in line with the findings of previous studies (Backwith 2007 and Hill; Belch *et al.*, 2009; Sullivan, 2012), this study found that the third type of experience that influences the client's decision to hire a marketing agency is the experience of the marketing agency in the client's field of operations. Such that, the clients from the banking sector would prefer to hire a marketing agency that has previous experience of working in the banking sector. Particularly, in the telecoms sector, the limitation of 'time' seems to be an important factor. This element of time is also reflected in findings related to the relationship of telecom firms with their marketing agencies where these firms set tight deadlines for the marketing campaigns and ultimately these tight deadlines set by the clients put more pressure on their marketing agencies (as discussed in section 4.4.2). Therefore, the telecom sector clients need a marketing agency that can deal with their tight deadlines. In this way by hiring the marketing agencies, the telecom sector clients can focus on their primary business function. Moreover, the findings also suggest that the frequency of work in the telecom sector is high, therefore hiring an external marketing agency would reduce the stress of meeting tight deadlines for their marketing campaigns.

## **Theme – B (Resources)**

The analysis of the findings suggests that the rationale for engaging with the marketing agencies is also dependant on the resources of the agency. In terms of the resources of a marketing agency, this study found four types of resources that influences the client's decision to engage with a marketing agency. As shown above in (figure 5.1), these resources are:

- Access to the business network of agency
- New communication platforms
- Creativity of the agency
- Reach of the agency

The following sections will discuss each of these resources with relevance to the existing literature.

### **5.1.6 Access to the Business Network of Agency**

This research has found that the service sector firms in Pakistan (particularly banks and telecom) need to expand their business network, and to extend their network, it is one of the reason that they engage with a marketing agency that can link them with a broad business network. Therefore, indirectly by engaging with their marketing agency, the clients become part of their agency's network through which they take benefits. This finding relates with the study of Ford *et al.* (2011), they argued that business networks help an individual firm to sustain and prosper its presence. Further supporting Ford *et al.*'s. (2011) arguments, this research suggests that when firms build a relationship with their marketing agency, as well as taking direct benefit from them in terms of using their services, these relationships help the firms to take in-direct benefits from the network of their agency.

The literature suggests that in some cases, the marketing agencies act as an intermediary between their client and the agency's network partners (Halinen, 2012). To some extent, this seems to be happening in the agency-client relationships in this research. As discussed earlier in Chapter 4 (section 4.1.4), the clients cited several benefits that they can take from their marketing agency's network and its resources

such as; becoming part of their marketing agency's network enable clients to get discounted rates from the media houses. In this way, clients get cheap rates for the promotions on the TV and print media. This practice is found to be common in both the telecom and banking sectors where at one side, banks take advantage of their agency's network by taking discounts on services from the media houses. On the other hand, the telecom firms get benefit from their agency's network in the form of access to various resources and access to the proprietary and research tools. The findings of this research also support Ford *et al's.* (2011) argument that one of the key motives to involve a business partner is to get access indirectly to the network of the business partner.

This research has found that managing network relationships of the agency is not a serious concern for the clients because the clients leave the task for negotiating and communicating with other network members to their agency therefore, the clients do not directly get involved with the network partners of their marketing agency. Here this research contradicts with Ford *et al's.* (2011) argument, they propose that when a client's primary motive to engage with a business partner is to get access to its network then managing relationship with the business partner through which it gets access to its network, becomes a burden for the client. However, supporting Halinen (2011) and Rusanen *et al's.* (2014) viewpoint, this study found that although it is one of the aims of the clients to take benefit of their agency's network however, clients primarily engage with their marketing agency to take benefit of their agency's own expertise and experience. On the other hand, it is found that managing relationships between the client and the network business partners of the client is not primarily a difficult task for the clients because managing such relationships is left to its marketing agencies by the clients.

#### **5.1.7 New Communication Platforms**

Due to the recent technological developments and vast use of marketing communication mediums such as social media and mobile advertising, companies are required to use such mediums of communication for effective marketing (Webb, 2015). In the similar vein, this research finds that one of the main reasons for hiring a marketing agency is that the clients need a marketing agency that can effectively use such new communication platforms to deliver message to the consumers. This finding

is also in line with Bulearca and Bulearca (2010), they suggested that one of the main reasons for hiring marketing agencies in the recent past is because marketing agencies provide specialized services in advanced communication platforms such in the case of marketing campaigns on social media. The findings of this research show the influence of new marketing communication platforms specifically in the banking and telecom sector. As the analysis of the findings shows that banks and telecom firms are among the dominant sectors in the terms of the use of social media platforms in Pakistan (Pakistan Annual Social Media Report, 2014-15). Supporting Tuton and Solomon (2014) argument, this research shows that the client's dependence and need on the marketing agency is more that specializes in the use of new communication platforms that have emerged in the recent past and it is one of the key reasons that shows client's willingness to hire a marketing agency in the given context.

In the above context, this research contributes to the understanding and role of new communication platforms that influences the client's decision to hire a marketing agency particularly in the banking and telecom sector in Pakistan. This research also provides an understanding about the need and dependence of clients on marketing agencies that can provide services in the use of new communication platforms for marketing their services.

#### **5.1.8 Creativity of the Agency**

As in the case of any B2B relationship (e.g. Zajac and Olsen, 1993), this study finds that the main aim for the joint activity between the marketing agencies and their clients is to create additional value. However, supporting Palihawadana and Barnese (2005) and Grant and McLeod (2007) study, it is found that additional value of the joint activity between the marketing agency and client is highly dependent on the 'creativity' of the marketing agency. Therefore, other than having an important role in the continuation stage of their relationship between the marketing agency and client (as discussed in Chapter 4; section 4.3.3), it is found that creativity of the agency plays a significant role in the pre-relationship stage and the client's decision to hire a marketing agency is highly influenced by the creativity of the marketing agency.



### 5.1.9 Reach of the Agency

One of the unique findings of this research which is related to the pre-relationship stage in agency-client relationship is the 'reach of the marketing agency'. The selected banks in this research have their branches in across the major parts of the country and on the other hand, the selected telecom companies also have their reach and provide services in across all the country therefore, they want a marketing agency that has a reach across the major parts of the country. For example, the interviews of the bank's personnel revealed that other than advertising on TV and social media platforms, banks use different marketing strategies tailored for individual branches that are located in different geographical areas of the country. In this case, they would require a marketing agency that can provide them services in all the parts of the country where they have their branches. As Pickton and Broderick (2005) described that one of the key reason for hiring a marketing agency is that, the clients have limited resources in their 'in-house' marketing departments and they cannot only rely on their own facilities. Due to this reason, the clients hire marketing agencies. In the context of this study, these resources can be considered as the reach of the agency. Considering the existing literature on agency-client relationships which does not seems to address this factor, this seems to be an interesting finding of this research specifically within the context of Pakistan in which the agency's reach within the country is highly taken into consideration by the clients and it is a key reason to hire a marketing agency, particularly in the telecom and banking sector.

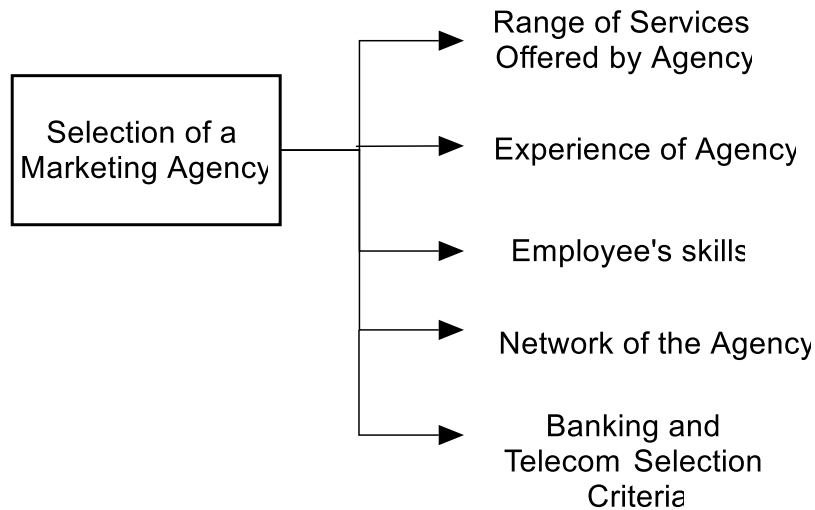
## 5.2 Research Objective 2

- **To identify the criteria adopted by the banks and telecom companies when selecting marketing agencies in Pakistan.**

The first stage of the agency-client relationship (before the inclusion of pre-relationship stage) provides the key determinants that have an influential role in the selection of a marketing agency. After analysing the data in Chapter 4, the five key themes emerged in the first stage of the agency-client relationship that are illustrated below (figure 5.2). Therefore, to address this research objective, the first stage of the

agency-client relationship will be examined with relevance to the existing literature in the following discussion.

Figure 5.2 First Stage of the Agency-Client Relationship



In the above figure 5.2, the fifth theme titled (banking and telecom selection criteria) highlights the key differences between the banking and telecom sector in terms of their selection criteria of a marketing agency. A detailed description of analysis on the differences between the banking and telecom sector's selection criteria is presented in the (Table 4.3) in Chapter 4. Therefore, in this section, the initial four themes will be discussed with reference to the literature.

Kitchen (1999) argued that special care should be taken over the selection process of an agency because the success of the relationship significantly depends on the careful consideration for the selection of a marketing agency. The findings of this study show that the selection of a marketing agency is a process in which firstly the client calls for a pitch to the marketing agencies. After examining the portfolio of the agencies, clients shortlist the agencies for the next stage in which the selected agencies are asked to give a presentation on a brief. After all this procedure, the client chooses a suitable marketing agency.

Contrary to the findings of Fam and Waller (2008) in which they found that the cost is an influential factor in hiring a marketing agency. A vast majority of the respondents from both sectors (banking and telecom) argued that while selecting a marketing agency, cost of hiring an agency is not significantly important to the clients. This study

found that the clients take into consideration the services of the marketing agency rather than the price that they charge for their services. Therefore, it seems that the clients consider the investment for hiring a marketing agency from the perspective of 'value for money', which means that they believe if they invest more on their marketing agency, in return their investment would bring them higher returns in terms of sales growth and more customer awareness about their services.

This finding supports the study by Koslow *et al.* (2006) about the factors that influence the selection criteria for business partners. They argued that the factors which the clients valued most in the past have now changed such that, in the past the most competitive tool for marketing agencies to attract the clients was the competitive price. However, nowadays when companies hire marketing agencies, they are not only hiring them for using their services but clients are basically purchasing knowledge and creativity that is embedded in the agency's profile. This view is also advocated by others e.g. (White, 2003; Koslow *et al.* 2006; Beverland *et al.*, 2007 and Halinen, 2012). These authors argued that more importance is given to the agency that is more creative and knowledgeable in the client's sector and if the agency does not have these qualities then no matter how cheap the services are from the rest of agencies, the client will not be interested in hiring that agency.

Certainly, in the telecoms sector, due to the scale of business operations in the whole country, availability of the financial resources and intense competition in the telecom sector, it appeared that the cost of hiring a marketing agency is an aspect that they do not seriously take into consideration in the selection stage. Similarly, in the banking sector in Pakistan, despite of the fact that their criteria for the selection of a marketing agency involves hiring an agency through which they can take discounts from its network. However, when it comes to hiring a marketing agency then for the banks, cost of hiring a marketing agency is not a primary concern. Therefore, this research contributes to the knowledge of the selection of a marketing agency in which cost or price of hiring a marketing agency does not appear to be a significantly important factor for the selected clients from both telecom and banking sector in Pakistan. The following sections will address the key selection criteria for the clients from both sectors while selecting a marketing agency.

### 5.2.1 Range of Services offered by Agency

An interesting finding of this research relates to the decision of the selected clients to select a full-service marketing agency. Rather than hiring more than one specialist agency, clients prefer hiring a single full-service marketing agency that can provide them services at one platform. Thus, it becomes easier for the clients to coordinate and communicate with a single full-service marketing agency. The finding contradicts with McLaughlin (1997) study in which it is argued that the main reason for hiring a full-service marketing agency is that it is cheaper as compared to the specialist agencies. The finding shows that the client's decision to hire a full-service marketing agency is not influenced by the cost factor alone. Many respondents argued that, clients avoid hiring more than one agency due to the concern raised by the research participants about the coordination with more than one specialist agencies. In a similar vein, this research supports Levin *et al.* (2016), they found that if the client hires more than one specialist marketing agency then the client may have to deal with multi-party relationships that are complicated and difficult to handle. Similarly, this research found that due to the concern of coordinating with multi-party relationships, the clients do not want to hire more than one specialist marketing agencies.

Although it is very difficult for an agency to provide all the possible marketing communication services from one platform, however to retain their client, the findings suggest that the marketing agencies outsource such services that they cannot directly provide to their client. In such scenarios, it is found that the clients do not directly interact/communicate with any intermediaries/third party (e.g. media houses, advertising agencies and research agencies) and the coordination with third parties/intermediaries is left to the marketing agency. This allows the client to avoid managing multi-party relationships. Considering this, this research supports Pickton and Broderick (2005) and Levin *et al.* (2016) findings, where they highlighted that clients prefer to hire full-service marketing agency because they find it easy to coordinate with a full-service marketing agency instead of communicating with many specialist agencies that are dedicated to different tasks.

Furthermore, Delener (1996) suggested that hiring a full-service agency would lead to better integration and it would strengthen the relationship between the agency and client. Supporting Delener (1996) findings and keeping in line with the above

arguments, this research also contributes to an understanding of B2B relationship marketing in a business network context. Such that, while dealing with business network relationships, clients leave the coordination and communication of managing relationships within a network to their marketing agency and the main reason for this practice relates to the issues that they might face while dealing with multi-party relationships.

### **5.2.2 Experience of Agency**

The second selection criteria to emerge from the findings is the experience of the agency. This research found that while selecting a marketing agency, the clients from the banking and telecom sector in Pakistan look for the marketing agency that has the prior experience of working in their field of operation. In the banking and telecom sector, the clients expect their agency to have a prior understanding of the sector due to which the client assumes that their agency will understand the amount and type of work needed by their client. This supports the findings of Anderson (1995) and Grant and McLeod (2007), they argued that the prior work experience in the client's field of operations helps in understanding the expectations of the client. This research reveals that while evaluating the agency based on its experience, the clients consider the awards and recognitions that are earned by the agency. By examining their awards and recognitions, clients can easily evaluate the agency's prior experience and its achievements in the specific sector. For example, documentary evidence showed that 'Pakistan Advertisers Society' (PAS) annually awards to marketing agencies in Pakistan based on their specified categories. PAS gives yearly awards to the marketing agencies in Pakistan based on different categories and different sectors. They have separate categories for the banking and telecom sector in Pakistan. They have listed the name of the companies, the campaign and the agency that has developed the winning award (source: pas.org.pk). As described by the research participants, from this information, the clients can easily evaluate the agency's performance and prior experience in the particular field.

### **5.2.3 Employees' Skills**

The third most prominent selection criteria to emerge is the skills of the employees of the marketing agencies. More importantly, the selected clients take into consideration

the creative skills of the agency's employees. However, of note is that, creative skills of the employees are matched along with the employee's experience in the field of client's sector. This means that if a bank wants to hire a marketing agency then it will look for the agency in which the agency's personnel have demonstrated creative skills which reflects in their previous experience of working within the banking sector in the past. The aspect of creativity has been largely documented in the previous studies on the agency-client relationships. The findings support the arguments by Koslow *et al.* (2006); Grant and Mcleod (2007) and Beverland *et al.* (2007). They found that strong creativity skills of employees is a key factor that is highly valued by the client while selecting a marketing agency. Similarly, this research also supports Henke (1995) and Palihawadana and Barnes (2005), they argued that the clients generally look for factors that are related to the past performance of agencies, specifically their creativity. The past performance includes the projects that they have completed and the quality of work they have done before.

Furthermore, the findings of this research support Duhan and Sandvik (2009) study. While establishing a link between the creativity of the agency with the cost of hiring it, Duhan and Sandvik (2009) highlight the importance of quality and creativity in the agency-client relationship and explain that the clients are not willing to make compromises on the quality and creativity of their marketing campaigns. Therefore, the high price charged by the marketing agency that are creative in their work and have employees with creative skills, does not stop clients from hiring them.

Dowling (1994, pg. 232) explains that a desire for more creative ideas is a primary reason due to which the clients switch marketing agencies. A key reason for this is because they are in the advertising sector, where creativity is considered the backbone of the advertising campaigns (Lehnert and Carlson, 2013). This research partially supports Dowling (1994) and suggests that creative skills along with the experience in the client's sector are one of the key factors in the selection criteria for clients. However, contrary to the findings of Dowling (1994) there is no evidence that shows client's desire to switch marketing agency due to the lack of creative skills of the agency's employees.

By contributing to the knowledge of the agency-client relationships in general and particularly within the context of the selection criteria of banks and telecom firms, the

findings of this research support the existing studies on agency-client relationship as discussed above and considers the creative skills of the employees of the agency as an important factor in the selection criteria of the selected firms.

#### **5.2.4 Network of Agency**

The fourth key selection criteria for the selected firms is the network of the agency. Considering the influence of network of an agency in its selection, this research supports the findings of Komulainen *et al.*, (2016). They found that marketing agencies have an influential role by acting as an intermediary between the client and the agency's network partners. From the client's perspective, this study found that the network of a marketing agency provides several benefits. For example, the clients can indirectly benefit through their agency's network by receiving discounted rates on services and due to the affiliations of marketing agencies with various national and international partnerships, the clients can get access to additional resources such as research tools and proprietary tools that require copyright permissions (the names of such tools were not shared by the respondents).

Interestingly and more specifically this study revealed that in the Pakistan's telecom sector, the clients prefer to hire a marketing agency that has an affiliation with an international network. One of the main reason for this is because of the rule set by higher management of telecom firms that requires the telecom firms in Pakistan to work with international marketing agencies or the marketing agencies that have affiliation with international agencies. A key reason given by the respondents for this preference is that, the international affiliations bring international experience into Pakistan. This finding supports Gulati *et al.* (2000) study, they argued that the network of a marketing agency provides an opportunity for companies to become part of an international network and gain further access to foreign market resources. The responses of a majority of the research participants from the telecom firms indicated that if an agency has international affiliation or if it a part of an international network of agencies then it also adds to the credibility of the agency.

Furthermore, local affiliation of a marketing agency is also valued by the clients from both sectors such that, the research participants argued that local affiliation of their agency with APNS (All Pakistan Newspaper Society) is prerequisite criteria for hiring a

marketing agency for both sectors. Their affiliation with APNS also shows that the agency is well connected with the local advertising societies and other marketing agencies in Pakistan. On the other hand, banks in Pakistan take into account the agency's local network because it helps them to reach to the target audience in different parts of the country and they can get discounted services from local media houses through their marketing agency's network.

Therefore, another key finding of this research presents the importance of the agency's business network where this research shows that clients prefer to hire a marketing agency that has a wide national and international business network. Particularly, in the case of the two sectors, banks prefer to hire a marketing agency that has a local network. On the other hand, the telecom firms prefer the marketing agency that has an affiliation with an international network.

### **5.3 Research Objective 3**

- **To evaluate critically how the relationships between clients and marketing agencies are managed, including the extent to which social exchange and social network perspectives have an influence.**

#### **5.3.1 Influence of Social Exchange Theory (SET) and Social Network Theory (SNT) on Agency-Client Relationships**

The existing literature identifies two influential theories that illustrate business relationships formation. SET and SNT are used by several researchers to explain the business relationships formation e.g. (Hakansson and Snehota, 1995 and Lambe *et al.*, 2001; Wang *et al.*, 2016). However, the existing literature has to an extent, failed to address the influential role of these two theories in the context of agency-client relationships. Therefore, one of the objectives of this study is to evaluate that to what extent these two theories have influence in the formation of agency-client relationships. It is believed that examining the relationships in the service sector with respect to the two theories will provide interesting insights that will be useful in the



future studies to evaluate the role of both theories in the B2B relationship marketing domain.

### **5.3.2 Evaluation of the Agency-Client Relationships based on SET**

The concept on which SET is based determines that relationships are formed based on the 'cost-benefit analysis' where it is argued that social exchanges between individuals are important because individually people cannot acquire the same benefit as they do when they collaborate with others (Lawler, 2001). In a similar way, businesses collaborate to acquire knowledge and resources that they cannot acquire without others. To this extent, the findings from this study supports this argument because while considering the role of SET in the agency-client relationships, this research found that the agency-client relationship is formed because both parties want to get benefit from each other, which they cannot acquire individually. As discussed in the research objective 1 (the pre-relationship stage), one of the main reasons why clients hire marketing agencies is to make use of agency's resources and experience. On the other side, the marketing agencies get financial benefit by offering their services in the shape of their resources and experience to their clients.

Examining the business relationships in the banking and telecom sector, it is found that the evaluation of the relationship between the agencies and clients is undertaken based on the three key factors that includes; proactivity of the agency, meeting deadlines and ranking of the agency based on its performance, as discussed in chapter 4 (figure. 4.14). This finding also supports the role of SET in terms of evaluation of the relationships because SET proposes that although financial gains are important determinants of the relationship evaluation however more importantly, businesses evaluate their relationships in a behavioural context for achieving their goals (Yanamandram and White, 2012). The behavioural context of evaluation in this research appears as the three key factors that are described above i.e. proactivity of the agency, meeting deadlines and ranking of the agency based on its performance.

Considering the responses from the research participants, it is argued that the clients do not only evaluate their relationship with their marketing agency based on financial gain which they get from their marketing agency's services. The responses of a majority of the respondents indicated that if they do not get the expected response

from their customers against a marketing campaign then they do not put the blame or they do not hold their marketing agency responsible for any ineffective marketing campaign. Because the clients believe that the campaign planning and execution is a mutual task between the client and its marketing agency. Therefore, the clients also take responsibility for any failed/unsuccessful campaign. Keeping in line with how SET evaluates the relationships, the findings of this research shows that evaluation of the marketing agency's performance is more significantly based on the behavioural context rather than the financial context.

From another perspective, SET proposes that people calculate or weigh their relationships based on the cost-benefit analysis or in other words partners evaluate their return on investment. Gefen and Ridings (2002) addresses the evaluation of social exchange process and explain that individuals engage in a social relationship when they expect the benefit from the social exchange that justifies the cost of taking part in the exchange. To clarify this ambiguity about the benefits of social exchange, Lawyer (2001) argues that social exchange is conceptualized as a joint activity where two parties interact with each other and there is a value associated with their interaction. He further explains that this value is represented in terms of the outcomes that are more important for the exchange parties. The value could also be represented in terms of the access to the tangible and intangible resources that includes the knowledge and experience of the business partners. Supporting Lawyer's (2001) argument, as discussed earlier, the findings of this research indicate that the clients do not take into consideration the cost of hiring a marketing agency because if they are spending more on their marketing agency then on the other hand, they are expecting high returns on their investment. However, when examining such issues of the relationship value and the benefits of engaging with a marketing agency, this research has found that the agency and client relationship formation is based on the value that is associated with tangible and intangible resources. In terms of the tangible resources the clients gain or get access to the resources of their marketing agency and in terms of intangible resources the clients take benefit from the experience of their marketing agency (see table. 4.2). Therefore, these findings appear to support Gefen and Ridings (2002) and Lawyer (2001) study in terms of giving more value to the services that are provided by the marketing agency rather than the cost of hiring.

### 5.3.3 Social Exchange Output of Agency-Client Relationships

From the perspective of the social exchange output between the agency and client, SET posits that when individuals engage in an exchange relationship, they strive for a positive outcome, meaning that they look for the relationship partners that can give them maximum benefit with minimum cost (Katz *et al.*, 2004). However, the findings of this research contradicts/do not support with (Katz *et al.*, 2004) argument. As discussed earlier that the findings from this research suggests that the clients do not highly take into consideration about the cost of hiring a marketing agency rather the services which the marketing agency provides is of more importance to the clients. The reason for not highly considering the cost of hiring a marketing agency can be linked to the specific sectors (i.e. telecom and banking) as the documentary evidence suggests (in chapter 1; section 1.5) that these two sectors are the two dominant sectors in the country in terms of spending on marketing of their services (PAS report 2014-15 and Gallup Pakistan Survey, 2013-14). The figures in the report and survey shows that these firms from these both sectors are investing highly in the marketing of their services which ultimately reflects on the spending on the marketing agencies as well.

However, Muthusamy and White (2005) argued that one time exchange in a marketing place does not qualify for a social exchange. That means, if a client forms a relationship with an agency, their cost-benefit analysis can only be examined when repeated interactions between them takes place. Therefore, it can be argued that even though the clients are paying high cost to their agency and in the short-term, the clients do not expect financial gains from their relationships, however in the longer-run when the agency and client have repeated interactions, they take financial benefit. Therefore, this research supports the SET's proposition as described by Muthusamy and White (2005) regarding social exchange output and concludes that firms look for the agency through which they can get them maximum benefit however the cost of hiring the marketing agency is usually high for the clients as they do not make compromise on quality of work over the cost of hiring a marketing agency.

### 5.3.4 The Exchange Perspective between the Agency-Client Relationship

Highlighting the importance of 'exchange' from the perspective of SET, Holthousen (2010) argued that without the exchange of something (i.e. social or economic) which

is valued by the two parties, this could lead to the termination of the relationship as there is very minimal role of contract between the exchange parties in a social exchange. The findings from this research supports Holthousen's (2010) perspective of exchange in SET, as it is found that the contract between the two parties has a minimal role in their relationship. The contract also has low influence on the operational nature of business practice. Whereas, the role of trust is more influential in the agency-client relationships on routine business practices.

Halen *et al.* (1991) highlighted the importance of SET by pointing out to the determinant of trust in the SET theory. Trust is the foundational basis for B2B relationship marketing (Agariya and Singh, 2011 and Firdaus and Kanyan, 2014). However, contradicting with Halen *et al.* (1991), the research findings suggest that contract is enforced and replaces trust in times of conflicts. As economic exchange involves transactions but social exchange requires trust (Liao, 2008). The findings of this research support Liao's (2008) study which concludes that trust rather than the contract is one of the key elements in the agency-client relationship success and longevity.

To further evaluate the extent to which SET influence on the agency-client relationships, the findings of this research will be evaluated with reference to Lambe *et al.*'s. (2001) description about SET. As discussed in Chapter 2, Lambe *et al.* (2001) have described four premises on which the SET is based. Each premise will be examined with reference to the findings of this research to further examine the influence of SET in the agency-client relationships in the given context;

- a. **Socio-economic outcome:** Lambe *et al.* (2001) argued, to qualify for a social exchange, the exchange between the partners should result in an economic or social outcome. Economic outcomes such as money is important for the exchange partners however, social outcomes such as emotional satisfaction are often more important than the economic outcomes. As discussed earlier, the findings of this research indicate that in the agency-client relationships, more value is given to the social exchange between the two parties that includes the satisfaction with the partner and the resources and experience of the agency. Therefore, it is argued that the evaluation of SET based on socio-economic outcome is practiced in the agency-client relationships. Hence, it can be

concluded that this research supports Lambe *et al.*'s. (2001) evaluation of SET based on the principle of socio-economic outcomes.

- b. Comparison with exchange alternatives:** SET posits that two parties will remain in a relationship as long as they receive outcome that is beneficial for both of them. The economic or social outcomes are compared with exchange alternatives over the time of relationship duration to determine dependence on the exchange relationship. It emerged from the findings (Chapter 4) that this practice is also common in the agency-client relationships where the respondents informed that after every three years, the clients review their relationship with the existing marketing agency and they advertise for hiring an agency. After comparing the strengths and weaknesses of the shortlisted agencies, the clients make their decision to choose between their existing agency and any new marketing agency. Therefore, this research also supports Lambe *et al.*'s. (2001) evaluation of SET based on the principle of comparison with exchange alternatives.
- c. Social obligation:** Positive outcomes from the social exchange increases trust and commitment between the partners. There is a social obligation rather than a contract that binds partners to remain in a partnership therefore, trust is an important aspect in SET as explained in previous studies e.g. Lambe *et al.* (2001) and Luo, (2002). In SET, more importance is given to 'relational governance mechanisms' rather than 'contractual governance mechanism'. Relational control (norms or personal relations) is often an effective means of governance as compared to formal contracts. The findings of this research support the social obligation perspective as advocated by Lambe *et al.* (2001) and Luo (2002), such that trust is the key determinant which governs the agency-client relationship and trust is a more important factor that establishes commitment between the agencies and clients as compared to the role of contract as a governing mechanism of their relationship.
- d. Social Norms:** Lambe *et al.* (2001) argued that social norms are more important than the use of power in social exchange. As the parties introduce norms, it forms as a regularity and control mechanism. Norms are explicit mutually agreed upon rules for interaction between the parties. In the given context, the

findings of this research indicate that although both parties do not have any formal or written form of rules for engagement with each other. However, they have developed informal norms for engagement such as, day to day meetings to discuss their work and client's expectation from their agency to be proactive in bringing new creative ideas for them. The social norms are a common practice and rules of engagement in the agency-client relationships. In this way, the findings of this research resemble with the description of Lambe *et al.* (2001) considering the role of social norms in the social exchange.

### **5.3.5 Summarizing the findings on the influence of SNT**

Keeping in view the existing literature that explains the key constructs of SET, it is concluded that the agency-client relationship is clearly influenced in the way SET explains the business relationships. The key factors that are identified by several authors in the above discussion such as, the cost-benefit analysis, the importance of social exchange and the evaluation of the relationship based on the behavioural aspect of the partners are practiced in the agency-client relationships in the given context. It is therefore, concluded that SET has an influential role in the agency-client relationship based on the key constructs of SET as discussed above that includes, the evaluation of relationship, social exchange output and the exchange perspective.

The next section will explore the influence on Social Network Theory (SNT) on the agency-client relationships.

### **5.3.6 Influence of Social Network Theory (SNT) on Agency-Client Relationships**

The proponents of SNT argue that in the present business environment companies are required to engage with other businesses. Therefore, as the size of a firm increases, it needs and establishes more relationships with external partners, which ultimately leads to the formation of a business network. It is stated that the firms intend to develop relationships with other companies to become part of their network through which they can take benefit from the resources and knowledge that is embedded in their network. These resources can be tangible such as technology and labour, and intangible that includes resources, skills and experience of the network partners (Ford,

1990). Furthermore, Gummesson (2002) stated that if we look at the core of the large organizations, these organizations carry huge resources, personal contacts and outsourced business partners, which represent their business network.

In the case of telecom and banking sector firms in Pakistan, this study identified that the client's intention to hire marketing agencies is not only to take direct benefit from them in terms of the services their agency provides but also one of the key motive to establish relationships with such marketing agencies is to take benefit indirectly from their agency's business network. Keeping in line with Anderson *et al.* (1994), the findings of this research suggests that the network of an agency carries resources and knowledge in the shape of the agency's affiliation with different national/local and international societies and its relationships with other agencies and media houses. Considering this, there is a clear evidence from the findings that shows the client's selection criteria in which, the banking sector clients prefer to hire a marketing agency that has a large local/nationwide network that associates with the media houses and societies. In this respect, banks get services on discounted rates through their marketing agency. On the other hand, the telecom sector clients prefer to hire a marketing agency that has a broad local as well as international business network through which the telecom firms can get access to the resources that are embedded in the agency's network nation-wide and internationally. To this extent, the findings of this research supports the SNT's proposition as described by Andersen (1994) and Gummesson (2002), that one of the key motives of hiring marketing agencies for the selected clients from both sectors is to get access to the business network of their marketing agency.

### **5.3.7 Evaluation of Relationships in a Business Network**

The findings of this research support Christopher *et al's.* (2013) arguments on SNT that in a business network, each relationship should be understood in its own context rather than looking at all the relationships in a wider perspective because every relationship is unique and there are different internal and external factors that affect the relationships within a business network. For example, in a network, the frequency of communication between the client and its marketing agency is not the same as compared to the frequency of communication between the agency and the media house which is a part of the marketing agency's business network. As discussed in

Chapter 4 (section 4.2.2), that the frequency of communication effects the relationship strength and the quality of work. Therefore, based on the findings of this research it can be concluded that the nature or type of relationship in the business network should be understood in its own context due to the varied nature of business relationships between various parties that are involved in a business network.

### **5.3.8 Evaluating the Challenges in the Relationships based on SNT**

It is argued that, Relationship Marketing (RM) discipline is based on interactions within network of relationships where the business relationships between two partners, such as the agency and client cannot be understood as an independent interaction between a buyer and a seller. Rather, relationships are better understood when looked from a wider perspective because the relationships between the partners become more complex when there are various external partners involved in a network such as the suppliers, agencies, societies and competitors (Gummesson, 2002; Eggert *et al.*, 2006; Hakansson, 2006). However, the findings contradict this argument and supports Anderson *et al.* (1994) that relationship marketing is not a standardized approach in all business networks because firms do not treat the business environment in a standardised manner. This research suggests that in the context of the banking and telecom sector in Pakistan, relationships in a business network specifically between the clients and their marketing agencies are not as complex as described in other studies e.g. (Gummesson, 2002; Eggert *et al.*, 2006; Hakansson, 2006), because both parties evaluate their relationship on an individual basis rather than as a whole, which includes their business network partners. This research found that as the clients have delegated the authority to their marketing agencies for dealing with external parties that are part of the agency's network therefore, maintaining and evaluating the relationship between the agency and client does not become seriously complex specifically for the clients. It can be concluded that the understanding of business relationships from a 'wider perspective' that includes the involvement of various business partners and stakeholders is not necessarily important in this context as explained by (Brennan *et al.*, 2014). In the same context, looking at the agency-client relationships in the given context, the size of the network does not appear to bring any significant challenges to manage such relationships.



### 5.3.9 The concept of 'Involvement' in a Business Network

Considering the choice of involvement of a firm in a business network from the SNT's perspective, this research found that the clients from both sectors interact with their agency's network partners in such a way that one relationship does not affect other relationships within a network as explained by (Ford *et al.*, 2011).

Gadde and Snehota (2000) explain one reason for this type of involvement in a business network where companies deliberately keep low-involvement relationships is because it becomes easier for them to break the relationship and switch to another relationship because there are high costs and challenges associated with high-involvement relationships. However, contradicting this argument by Gadde and Snehota (2000), this research found that clients from the banking and telecom sector avoid in getting into high-involvement relationships with their agency's business network partners specifically to save 'time' and 'resources' that is required for dealing with other business partners if they get into high-involvement relationships. As the findings suggests that the clients do not communicate or coordinate with their agency's business partners that are also providing services to these clients indirectly through the agency therefore, this study contributes to the understanding about the concept of 'involvement' in the business network relationships from the client's perspective. This research presents two key factors (i.e. time and resources) that influence the client's decision for not getting into a high-involvement relationship with the business network partners.

### 5.3.10 The Role of Business Network as a Value Creation Network

From the SNT perspective, this research supports Eggert *et al.* (2006) description regarding the role of a network in B2B relationships that as a business network grows, it becomes a value creation network where a number of B2B relationships together create value to the end user. The importance of a business network is significant as highlighted in this research findings such that, in the selection of a marketing agency, the agency's network (local and international) is one of the main criteria based on which the clients make their decision for selection of a marketing agency. Furthermore, supporting the findings of Pickton and Broderick (2005) and Levin *et al.* (2015), this research found that the full-service marketing agencies claim to offer

services in all the aspects of marketing communications however, they do so being a part of a larger network. In this way, the marketing agencies acquire services from external parties that includes the international marketing agencies, advertising societies and media houses that ultimately deliver more value to the clients.

### **5.3.11 Further Examination on the influence of SNT on Agency-Client Relationship**

Ford *et al.* (2011) identifies the following three managerial questions for examining the SNT's influence on the business relationships. Based on that, the following discussion will examine the SNT's influence on the findings of this research.

#### **First Question:**

The first question addresses the role of a firm in a business network where the analysis is undertaken based on what the firm has to offer and what it should seek from others. In this case, the research findings suggest that the clients invest to its network partners and it seeks services, resources and knowledge in response. These factors might vary depending on the type of network and the client's interests. For example, in one case, the client seeks to get access to the proprietary and research tools through its agency's network and in other case, the client seeks to get discounted services through its agency's network. Therefore, it can be concluded that the network of the marketing agency helps the clients to indirectly take benefit from its network partners.

#### **Second Question:**

The second question is about how a company manages itself with its limited resources and how it can get maximum benefit through the business network. In the context of banks and telecom companies in Pakistan, the clients appear to be managing well with their own limited resources as it was observed that the clients have their in-house marketing department. The clients' in-house marketing departments play a significant part in the planning of marketing communications by giving directions to their marketing agency. Based on the findings it can be argued that client's decision to hire a marketing agency with a large business network reflects on their strategy that they get maximum benefit through their marketing agency's network. Therefore, compared with Ford *et al.*'s. (2011) second question, the findings of this research show that although the clients have their in-house marketing departments and they hire

marketing agencies for the service these agencies provide, the clients take maximum benefit of their relationship with the marketing agency through the business network of their agency. Therefore, the network of the agency plays an important role in their relationship with the clients.

### **Third Question:**

The third question is regarding how a company interacts with other business partners in its network that does not affect other relationships. As discussed earlier, the clients from the selected banks and telecom firms avoid interacting with other network partners of its marketing agency. In this way, their relationship with the marketing agency does not affect other relationships. Furthermore, keeping in line with Hanansson and Ford (2002) findings, this research found that the firm/client allows autonomy to its network partners because a network becomes less effective and less innovative if the firm wants to take control of the network.

### **5.3.12 Summarizing the findings on the influence of SNT**

It is therefore concluded that SNT has a strong influence on the agency-client relationships to a large extent. Specifically, in the selection stage of the agency, SNT has a high influence because it is one of the key criteria for banking and telecom sector firms to hire a marketing agency that has a large business network. Contrary to the suggestions by several authors as discussed in the previous sections, this research found that relationships are better understood as an independent interaction between an agency and its client. Moreover, contradicting previous studies, this research suggests that the size of a network does not bring any significant challenges for both parties as long as the clients do not get directly involved or interact directly with their agency's network partners. The concept of 'involvement' that stems from SNT also appeared in the findings of this research where the findings suggests that the clients keep low-involvement with their agency's network partners to save time and resources.

Supporting the SNT proposition, this research confirms that business network is a value creation network and as the size of a network increases, the network becomes

more resourceful and benefits all concerned parties. Furthermore, it is found that the marketing agencies also strive to extend their network to satisfy their client's demand and needs. The 'full-service' philosophy of marketing agencies also originates from the social network perspective. This research indicates that marketing agencies become full-service agency when such agencies join or extend a business network that is resourceful. After becoming part of the resourceful business network, such agencies claim to be a 'full-service' marketing agency.

#### **5.4 Research Objective 4**

- **To make a theoretical contribution to the B2B Relationship Marketing (RM) literature by developing a framework that best describes the key determinants of relationships between marketing agencies and clients in the banking and telecom service sector.**

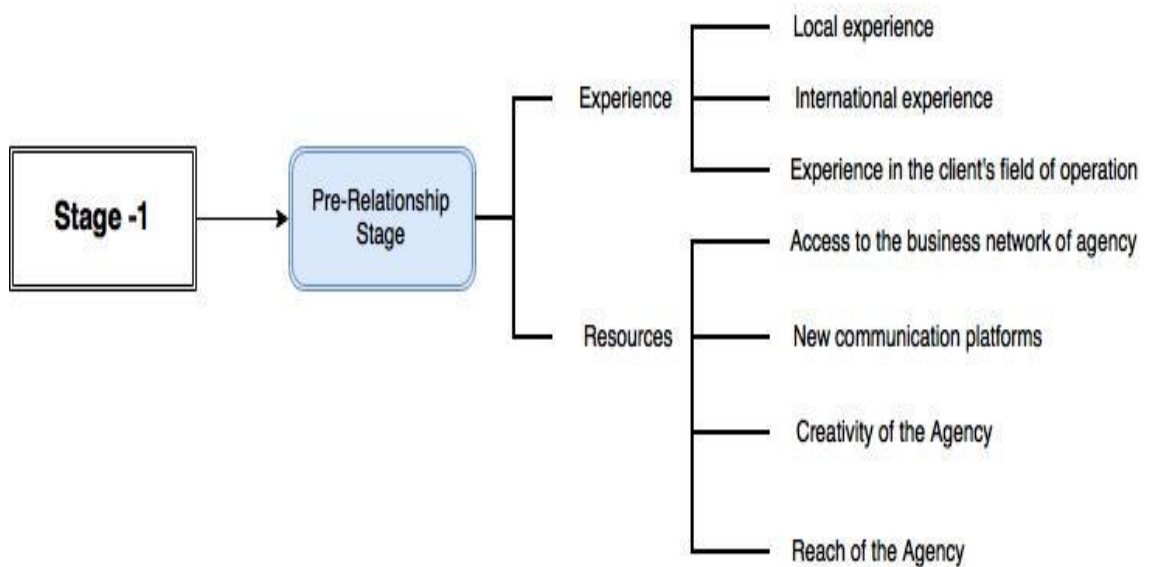
To address this research objective, a framework is developed based on the findings in Chapter 4. This framework illustrates the key determinants of the relationship between the marketing agency and client in the services sector in Pakistan. This framework includes the four stages that are discussed in Chapter 4. However, based on the findings of this research in Chapter 4, an additional stage titled 'Pre-relationship stage' has been added. This stage is developed based on the findings that address research objective 1 that highlights the rationale for engaging the services of marketing agencies by the clients. The following discussion will first present the five stages of the agency-client relationships with the key determinants based on the findings of this research that are identified at each stage.

##### **5.4.1 First Stage of the Agency-Client Relationship (Pre-Relationship Stage)**

In the first stage of the agency-client relationship, i.e. (pre-relationship stage), the rationale for engaging with the marketing agencies is based on the two key factors. That includes the resources of the agency and its experience. As discussed earlier, at this stage, clients evaluate their strengths, weaknesses and customer needs/preferences and then based on their analysis, they take a decision to hire a suitable marketing agency. The first stage is about the analysis and predictions. The clients analyse their own strengths and weaknesses and based on their analysis they make their decision to engage with a marketing agency. Regarding the first theme,

'Experience' the findings suggests that the type of experience that clients seek is categorized into three types i.e. local experience, international experience and experience in the client's field of operation. Therefore, the sub-themes of experience are shown in the following (figure 5.3). Another key theme identified at this stage is the 'Resources' of the agency. However, the resources are further categorized as access to the business 'network of agency', 'new communication platforms', 'creativity of the agency' and 'reach of the agency' as shown below in (figure 5.3).

Figure 5.3 First Stage in the Agency-Client Relationship



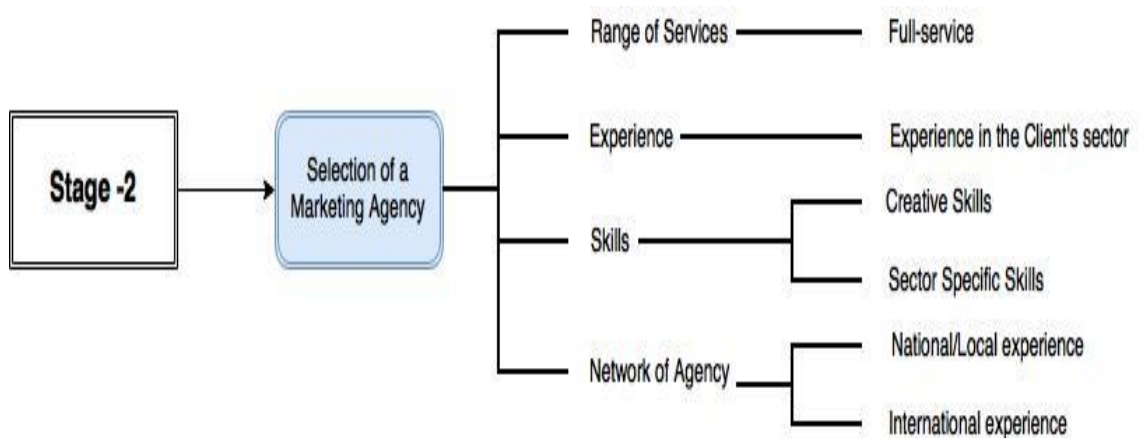
#### 5.4.2 Second Stage of the Agency-Client Relationship (Selection of a Marketing Agency)

The second stage of the agency-client relationship titled 'selection of a marketing agency' is more specific in terms of the type of the agency that the clients want to hire. Four key themes are identified at the second stage based on the findings of this research as identified in Chapter 4 and shown below in (Figure 5.4). The findings show that the clients prefer to hire a marketing agency that provides a range of marketing services therefore, in the figure 5.4, the key theme 'range of services' is sub-categorized as the 'full-service' marketing agency. In terms of the experience of the agency, the findings suggested that clients highly consider the agency that has prior

experience in the client's sector. Therefore, the key theme 'Experience' is sub-categorized as 'experience in the client's sector'. Furthermore, this research found that the skills of the employees is an important determinant at this stage and skills are further sub-categorized into the 'creative' and 'sector specific' skills. In a similar way, the 'network of the agency' is key criteria in the selection of a marketing agency and based on the findings, it is further sub-classified into the national/local and international network as shown below in (Figure 5.4).

Furthermore, in the selection stage, the theme titled 'Banking and Telecom preference' as presented in the findings chapter is not included in this framework because this framework is developed with a view to illustrate the stages in the agency-client relationship along with the various key determinants at each stage and provides a general guideline for practitioners. This theme covers various factors that differentiate the practice of agency-client relationship in the banking sector as compared to the telecom sector which have been discussed in detail in the previous 'findings' chapter (i.e. Chapter 4). Further key distinctions between the differences/similarities in the way relationships are managed between the marketing agencies and clients from the banking and telecom sector are presented in the Chapter 4 (Results).

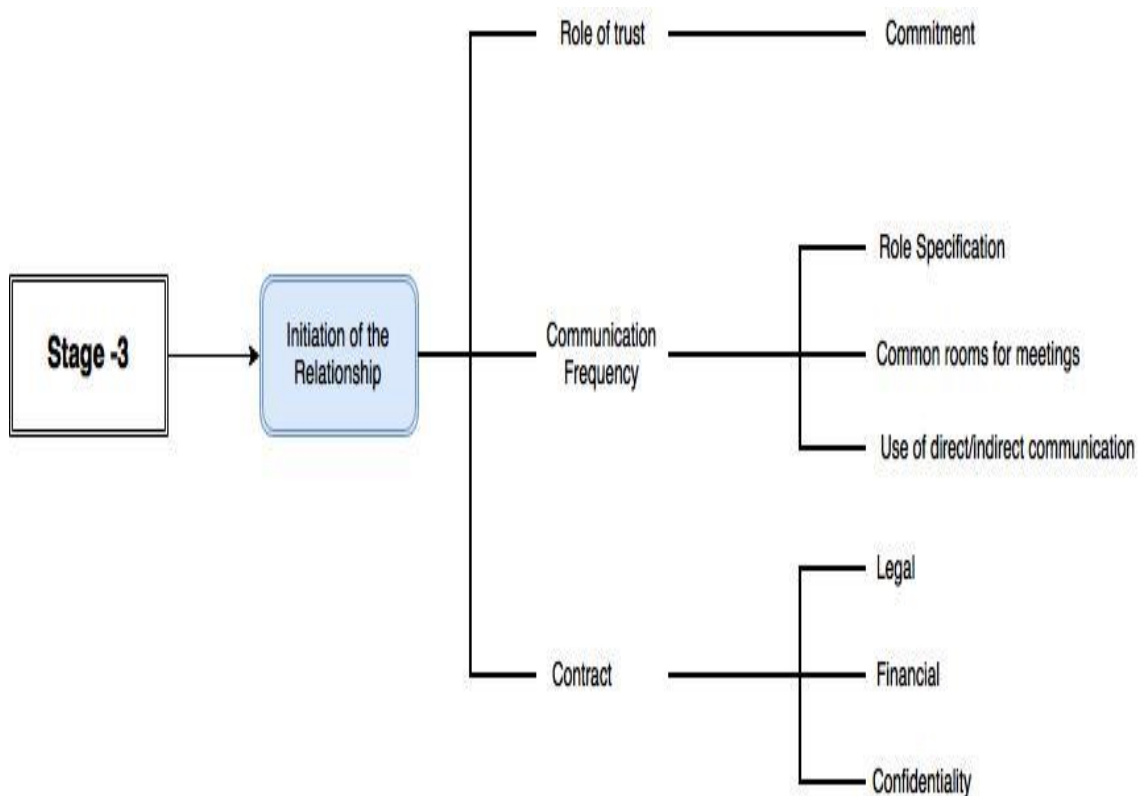
Figure 5.4 Second Stage in the Agency-Client Relationship



### 5.4.3 Third Stage of the Agency-Client Relationship (Initiation of the Relationship)

In the third stage of the agency-client relationship (i.e. initiation of the relationship), the key themes that emerged based on the findings of this research are: the role of trust, communication frequency and contract. The role of trust is sub-categorized into 'commitment' as it is found that the level of trust between the both parties influences their commitment. Another key theme identified as 'communication frequency' is further sub-categorized into, 'role specification', 'common rooms for meetings' and 'use of direct/indirect communication'. These three factors are found to be influencing the communication between the marketing agencies and clients. The theme titled 'contract' between the agency and client has three main functions as presented below in the figure 9.3 that includes the legal, financial and confidentiality aspect.

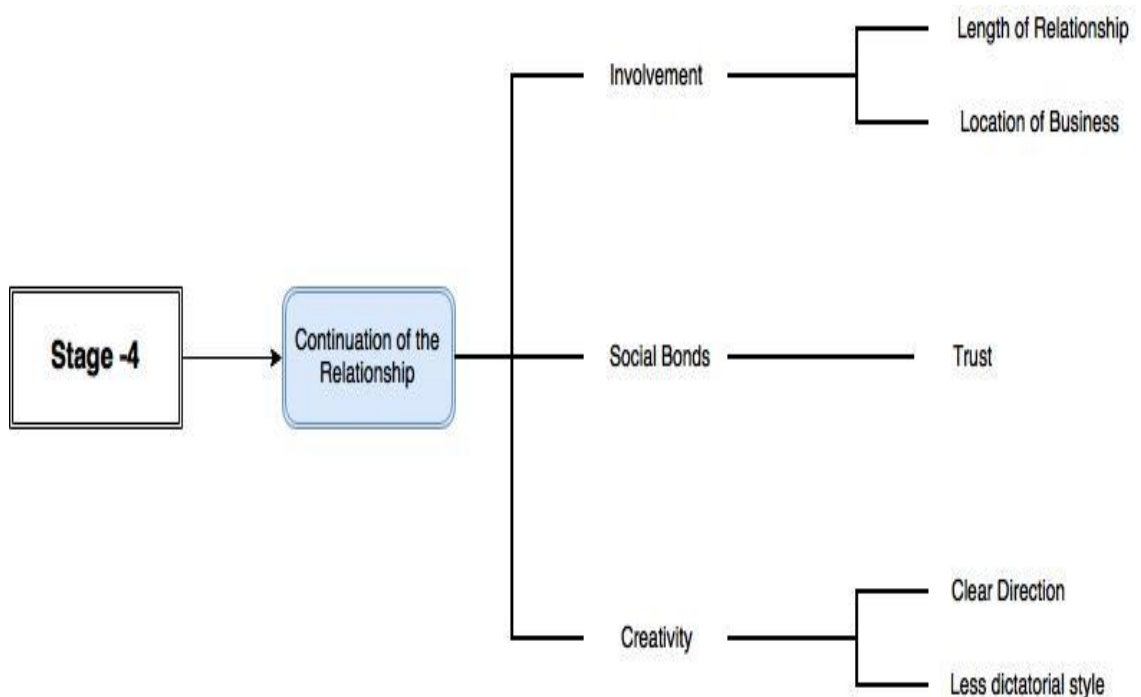
Figure 5.5 Third Stage in the Agency-Client Relationship



#### 5.4.4 Fourth Stage of the Agency-Client Relationship (Continuation of Relationship)

The fourth stage (i.e. continuation of relationship) has three key themes based on the findings that are; involvement, social bonds and creativity. The factors addressing the involvement are further sub-categorized as 'length of relationship' and 'location' of business as it is found that these two factors directly influence on the involvement of agency and client in their relationship. Another key theme that emerged at this stage is the development of 'social bonds' that is directly influenced by the 'trust', which is categorized as a sub-theme. Furthermore, the 'creativity' of marketing agency emerged as another key theme at this stage and it is influenced by setting 'clear directions' for work and 'less dictatorial style' of the clients, as shown below in (Figure 5.6).

Figure 5.6 Fourth Stage in the Agency-Client Relationship

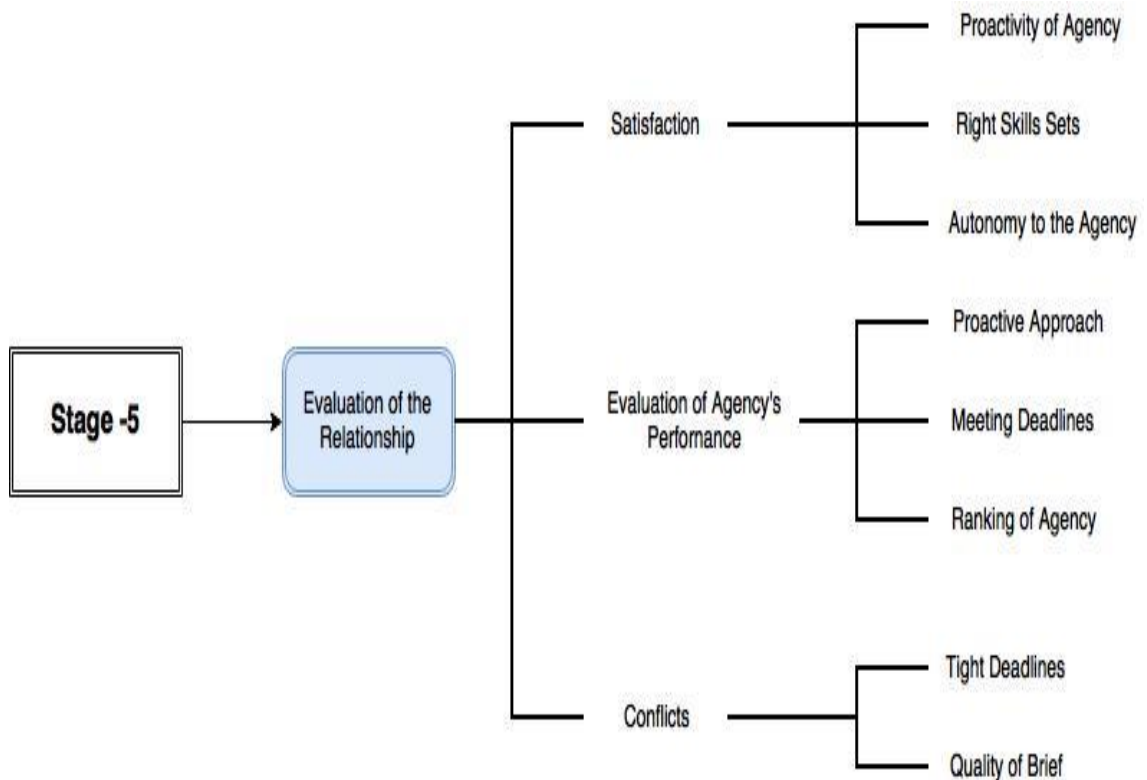




#### 5.4.5 Fifth Stage of the Agency-Client Relationship (Evaluation of Relationship)

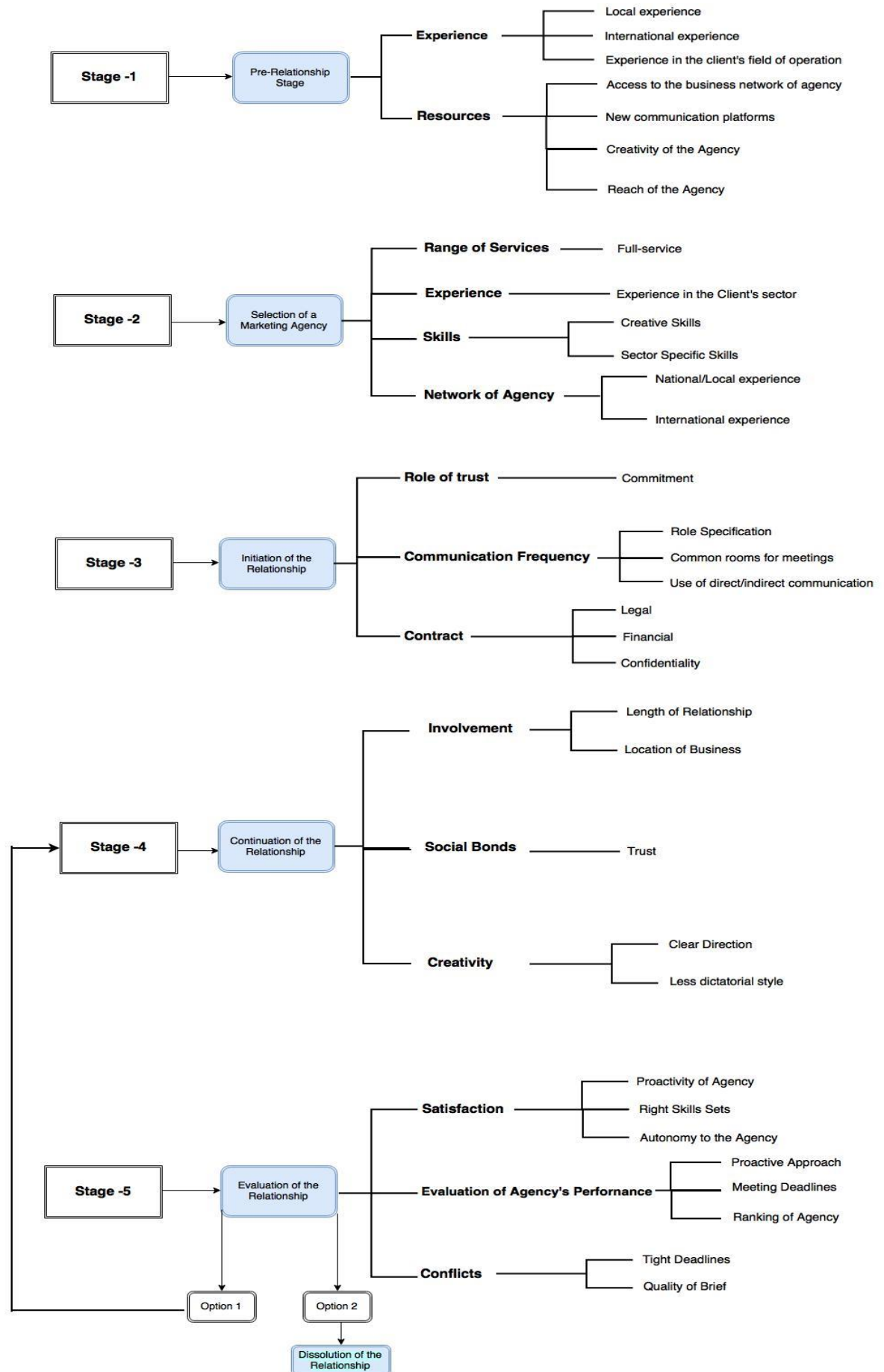
In the fifth stage of agency-client relationship (i.e. evaluation of the agency-client relationship) (Figure 5.7), three themes have emerged based on the findings of this research that are, 'satisfaction', 'evaluation' and 'conflicts'. Satisfaction is influenced by the three factors that are sub-categorized as the proactivity of agency, right skills set of people and autonomy given to the agency. Furthermore, 'evaluation' of their relationship is mainly based on the proactive approach of the agency, meeting deadlines and ranking of the agency. Finally, for the theme titled 'conflicts' two sub-themes emerged from the findings that are; 'tight deadlines' and the 'quality of brief' as shown below in (Figure 5.7). After this stage, both parties have two options, either to continue their relationship or they terminate their relationship.

Figure 5.7 Fifth Stage in the Agency-Client Relationship



The following framework (figure 5.8) combines all the stages of agency-client relationship:

Figure 5.8 Stages in the Agency-Client Relationship



## 5.5 Chapter Summary

In this chapter, the key findings of this research are addressed by reviewing the research objectives. To address the first research objective, a pre-relationship stage is added in the initial framework that describe the rationale for the selected firms' engagement with the marketing agencies. Figure 5.1 presents the key influential factors in the pre-relationship stage of the agency-client relationship.

Addressing the research objective 2, this chapter examines how this research contributes to the existing body of knowledge in the area of relationship marketing and agency-client relationship by evaluating the similarities and differences between the findings of this research with the previous studies. For example, contrary to the findings of the previous studies on agency-client relationships, this research found that price for hiring a marketing agency is not significantly important for the clients from the telecom and banking sector in Pakistan. Furthermore, this research presents some findings that are particularly related to the country context which has not been examined/discussed in the previous studies. Such as, the local and international network of a marketing agency in Pakistan is highly considered by the clients and particularly the international network/affiliation of a marketing agency adds to its credibility of the agency.

The research objective 3 evaluates the Social Exchange Theory (SET) and Social Network Theory's (SNT) influence on the agency-client relationships. While addressing the research objective 3, it is concluded that SET and SNT have an influential role on agency-client relationships in the given context. From the SET's perspective, the relationship between marketing agencies and clients is evaluated based on the cost-benefit analysis. However, this analysis is undertaken based on the behavioural context rather than the financial context as described by (Yanamandram and White, 2002). Furthermore, this study finds that from SET's perspective, the agency-client relationship is a social exchange partnership therefore, trust rather than a contract is an important element for a successful and long-term relationship. On the other hand, SNT also has a high influence on agency-client relationships. Specifically, in the selection stage of agency-client relationship, contradicting with some previous studies as mentioned in the above discussion on the influence of SNT on B2B relationships,

this study finds that relationships are better understood as independent interactions between an agency and client. Size of the network does not bring any significant challenges for the clients in terms of coordinating and communicating with various business network partners.

## **5.6 Reflection on the Research and its Contributions**

This section is a critical reflection of the key findings, implications and recommendation for the future research in the area of agency-client relationships. This study investigated the B2B relationships in the service sector in Pakistan and particularly focused on the agency-client relationships within the banking and telecoms sector in Pakistan. Looking to gain an in-depth understanding of the relationships between the parties involved, this research explored the key relationship marketing determinants that influence B2B relationships. Although research in the area of B2B relationships has flourished in the past, the unique contribution of this research lies in the thorough exploration of B2B relationships in the specific context, as its focus on the agency-client relationships in the services sector firms. Furthermore, the influence of the two key theories (i.e. SET and SNT) was examined that provides an in-depth understanding of the B2B relationships.

The review of existing literature on the role of key determinants of RM along with the review of theories and literature review on agency-client relationship helped in developing the initial framework that includes the four stages (with an addition of the fifth stage at the later stage of this research) of the agency-client relationship. This framework was used as an initial guide to form interview questions and the analysis of the findings.

Chapter 1 of this thesis (i.e. Introduction) provided an overview of the study, the country context and the research area along with the research question, aim and objectives of the research. Chapter 2 provided an in-depth understanding of the services marketing discipline. Further chapter 2 provided the foundation of this research by analysing the existing literature on the B2B relationship marketing and the agency-client relationships. The review of literature on these areas helped in identifying the key B2B relationship marketing determinants that were further

analysed in the findings of this research on agency-client relationships. Based on Chapter 2 (Literature Review), a theoretical conceptual framework was developed that shows the stages in the agency-client relationship along with the role of the key determinants at each stage. The methodology of this research was discussed in Chapter 3. This chapter presents the relevant philosophical position for carrying out this research (i.e. interpretivism). This Chapter further provided an understanding of doing qualitative semi-structured interviews as the main source of data collection for carrying out this research that is further supported by observations and documentary evidence. The findings and their analysis were presented in the Chapter 4 and lastly, Chapter 5 presents the discussions on the key findings of this research by relating the findings to the existing literature within the context of the research objectives of this study.

The key contributions of this study are summarised in the following discussion:

#### **5.6.1 Key Theoretical Contributions**

- **Key Finding 1: (Agency-Client Relationship Framework)**

This research makes several important theoretical contributions to the Relationship Marketing theory. Most importantly, the framework (figure 5.8) that is developed addressing the research objective 4 shows five stages of the agency-client relationships. This framework has helped to identify the key determinants that have significance in the five stages of their relationship. Furthermore, based on the findings of this research, this framework shows the factors that influence the key determinants as identified in this research.

- **Key Finding 2: (Network of Marketing Agency)**

Another key finding of this research relates to the network of the marketing agency in which the clients from the banking and telecom sector operate. This research refutes the arguments by authors (such as Ford *et al.*, 2011) and offers an alternative perspective that the size of a business network of a marketing agency does not bring any significant challenges to the clients in term of coordinating and communicating with the network partners. The clients delegate the authority of coordinating and communicating with the network partners to its marketing agency. This is one of the main reasons due to which the clients from the banking and telecom firms in Pakistan prefer to hire a 'full-

service' marketing agency. Related to this, the findings of this research show that the marketing agencies in Pakistan have affiliations and partnerships with other agencies locally and internationally and by having these affiliations/partnerships, such agencies claim to be called as 'full-service' marketing agency. Therefore, this study found that the network of the marketing agency has a significant importance and clients from banking and telecoms sector in Pakistan highly consider 'full-service' marketing agency over a 'specialist' marketing agency.

- **Key Finding 3: (Use of the Business Networks)**

In terms of the use of business network of the marketing agency, this study shows that the banks and telecom firms in Pakistan make use of their marketing agency's network in different ways. The telecom firms mainly use their marketing agency's network to get access to the various resources and access to the research tools and proprietary tools. On the other hand, the banks mainly use their marketing agency's network for taking discounts from their marketing agency's business network partners such as, from the local media houses.

- **Key Finding 4: (International Experience of the Marketing Agency)**

This study found that the clients (particularly the telecom firms) in Pakistan highly consider a marketing agency that has an experience and affiliation with an international marketing agency. It is one of the selection criteria for the telecom firms in Pakistan. As discussed earlier in the findings, this relates to the context of the country as it is found that the local marketing agencies in Pakistan lack in terms of the resources that are required by the telecom sector clients.

- **Key Finding 5: (Evaluation of Agency-Client Relationships)**

Another key finding of this research relates to the evaluation of the relationship between the marketing agency and client where this research found that the evaluation of the marketing agency's performance is significantly based on the behavioural context rather than the financial context. In the behavioural context of evaluation, this research finds three factors i.e. proactivity of the agency, meeting deadlines and ranking of the agency based on its performance.

From this perspective, this research validates the role of Social Exchange Theory (SET) in terms of evaluating business relationships.

## **5.7 Managerial Implications**

Apart from its theoretical contribution, the conclusions drawn from this research may prove a useful tool for other marketing agencies, telecom firms and banks in Pakistan. Specifically, the updated framework that shows the five stages of the relationship between the marketing agencies and clients is a reflection of the role of various key determinants that are influential in their relationship. This research identifies some of the major concerns that are faced by the marketing agencies while dealing with their clients in the service sector (particularly, telecoms and banking sector). For example, in the context of Pakistan, this research highlighted that a major concern for marketing agencies is regarding the entry of foreign marketing agencies into Pakistan - as discussed in Chapter 4. The Pakistani marketing agencies consider the entry of foreign marketing agencies as a threat to their existence because such foreign marketing agencies bring foreign market experience and resources that allows them to get more clients from Pakistan. From this viewpoint, it is believed that this research is especially timely in the sense that it provides an in-depth analysis into the client's selection criteria and the issues faced by the marketing agencies. Based on the findings regarding the selection criteria of the service sector firms (out of which the banking and telecoms sector are the more dominants sectors in the country in terms of marketing of their services), the existing marketing agencies in Pakistan can align their business operations that suits with the client's requirements in both sectors and they can strengthen their existing relationships with their clients from both sectors.

The agency-client relationship framework (figure 5.8) in Chapter 5 acts as a guideline for both marketing agencies and clients such that both parties can evaluate what is expected from them at different stages of their relationship to establish a good working relationship with each other. It is also believed that based on the two key factors that summarize the rationale for engaging with the marketing agencies at the pre-relationship stage, the marketing agencies can aim to improve their prospects of being selected by the clients.

Furthermore, this research has important implications for the marketing agencies in Pakistan. As this research found that the marketing agencies need to extend their business network locally and internationally, and as the findings of this research suggests that the clients prefer to hire a full-service marketing agency therefore, the marketing agencies should develop a full-service philosophy which they can do by increasing their network size, both locally and internationally. By doing this, it would further increase the chances for being selected by the clients particularly in the telecom and banking sector in Pakistan.

This research shows that comparatively with the telecom firms in Pakistan, the banks have relatively short-term relationships with their marketing agencies. In this case, the agency-client relationship framework acts as a guideline for the banks and their marketing agencies. Based on the findings of this research, it is suggested that the marketing agencies need to get experience in one particular area rather than working in diverse nature of businesses. This would bring them recognition in one sector and it will also bring them recognition among the other firms. As this research found, the clients from the banks prefer to select a marketing agency that has previous experience of working in the banking sector and similarly the clients from the telecom sector prefer to hire a marketing agency that has previous experience of working in the telecoms sector. Therefore, for marketing agencies, having experience in one area of industry sector would increase their chances of being selected by the clients rather than having diverse nature of experience of working in different industry sectors.

Lastly, it is found that the previous research largely fails to address the causes of conflicts between the marketing agencies and clients. However, this research presents the key reasons that causes conflicts between both parties. The findings show that the communication between the agencies and clients should be such that the clients should avoid dictating their agency about their work which also effects the creativity of the marketing agency. The marketing agencies require more autonomy to be more creative in their work and it helps to reduce the conflicts between them.



## 5.8 Limitations and Future Work

This study, being of an exploratory and interpretive nature, raises a number of opportunities for future research in terms of both theory development and the agency-client relationship framework validation. More research will in fact be necessary to refine and further elaborate the novel findings of this research.

One of the limitations of this study was regarding the access to the contract between the agencies and clients. Although this research found that the contract has minimal role in their relationship and other key relationship determinants such as, trust and social bonds have more significance in B2B relationships. However, it would have been more helpful to explore the key agreements that take place between both parties in their contract. Further, it is believed that access to the contract would have also provided the information about the role of both parties in the formation of contract.

This research found that the 'brief' given by the client to its marketing agency is an important factor that facilitates in the relationship success and it has also a key role in avoiding any conflicts between the agency and its client as shown in the stage-5 of the agency-client relationship framework (figure 5.8). Due to the inaccessibility to the brief and limited time, it was not possible to explore completely the elements of the brief. Future research can determine the elements of the brief and provide recommendations for meeting the expectations of clients in a better way. Not only doing this research will provide insights into the key elements of the brief that communicate what is expected by the clients. It is believed that better strategies can also be developed to help clients and agencies avoid conflicts that are caused by the miscommunication or misunderstanding of the brief.

This research has investigated and identified the key marketing agency's network partners and their role in the selection process of the clients. However, due to the limitation of time, it was not possible to further investigate the relationships between the marketing agencies with their network partners, such as the media houses and advertising societies. This would have provided a comprehensive view of the whole business network of the clients, including their marketing agency and its network partners. Further research can look into such relationships to get a completely

comprehensive view of the business network that involves the clients, their agencies and the network partners that are involved in the business operations with the client.

Another area for future research can be explored in terms of the organizational structure of the service sector firms as Cathey and Schumann (1996) found that the decision for hiring a full-service marketing agency can be linked to the organizational structure of the clients. They suggested that the clients with a centralized organizational structure would hire a full-service marketing agency and on the other hand, clients (firms) with a decentralized and fragmented organizational structure would hire one or more than one specialist marketing agencies because then every department would be dealing with different marketing agencies. Keeping in view with the above arguments, further research could look into the organizational structure of service sector firms to explore whether the organizational structure of the clients influences on the client's decision to hire a full-service or specialist marketing agency.

This research focuses on the two influential sectors (i.e. banking and telecoms) in terms of marketing in Pakistan that are classified as the service sector organizations. However, the findings might not be transferrable to the other sectors in the country. As this study found that the requirements of hiring a marketing agency is context dependant such that, to some extent the telecom sector clients have different requirements as compared to the banks for hiring a marketing agency. Also, the way clients from the telecom and banking sector manage relationships with their marketing agencies also varies. The client's demand may also vary in other countries. For example, banks in Pakistan customize their marketing strategies that suits particular geographical regions in the country based on the reason of the literacy rate of the customers that differs largely in different parts of the country. Banks require a marketing agency that has its reach in all parts of the country. In developed countries this might not be the case, as the research participants argued that the marketing agencies from the developed countries carry more resources, in terms of their access to research and proprietary marketing tools and experience of working with international clients. Therefore, the validity and transferability of this research is considered as context (country) specific and subject to change on societal and geographical dynamics. For further research in this area, it is suggested that research

should be undertaken on other sectors of industry and also in other countries to analyse the transferability of this research.

Finally, it is suggested that future research could look into the dissolution/ending of relationships (e.g. Tahtinen and Halinen, 2002) between the marketing agencies and clients in the banking and telecom service sector firms by exploring how their relationship dissolves and what are the factors that influence the process of dissolution. This can be explored by examining the previously failed relationships between the clients and their marketing agencies. This would also provide insights into exploring the reason why clients change their marketing agencies.

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## Appendices

### Appendix -1

Extraction of themes of Interview from the respondent of a selected marketing agency

Date: 7<sup>th</sup> December, 2016

Emerging Themes	Transcript
Personal Background details	<p>I am the account manager at IAL Saatchi and Saatchi. I have a MBA in Marketing. I have 3 years of work experience and I have previously worked with 'Company X) brand department as well. For the past 2 years, I have been working here in Saatchi and Saatchi. I am mainly the account manager on 'Company X'. I look after Mobicash and Data departments of 'Company X'.</p> <p>I am employed by my agency but my agency is employed by 'company X' so indirectly I am a part of 'company X'. Indirectly you can say that I am part of 'company X'. Because they know that I am hired here and they know about my benefits and salary package, everything.</p>
Network of the agency	<p>The name of our company is IAL Saatchi and Saatchi which is International Advertising Limited Saatchi and Saatchi. We are actually a Karachi based company which was opened in I think 1967 by Naseer Ahmad. The affiliation with Saatchi and Saatchi was made in I think 1971. Saatchi and Saatchi as know is a worldwide company....has branches in more than 50 countries. That factor of affiliation with Saatchi and</p>

	Saatchi counts a lot in this market.
Range of services provided by the agency	<p>We call ourselves creative agency. The advertising we work on is the ATL and BTL. We work on adds, commercials then the full fledged campaign with outdoor. WE propose different ideas for the campaigns as well. We can do flashmobs or some round about branding. we have in-house media department as well.</p> <p>We do provide all the edits, animations...we have those sort of services but that's based in Karachi. So when 'company X' was won by this company 10 years ago, our affiliation counted a lot at that time. The Karachi office had all the animation and production house itself..... You can say we provide the whole package. We also provide digital services, but those digital services can be taken separately. We don't provide these services here in Islamabad. We have a company called Digit Z. It's our digital company.</p>
Marketing in the telecom sector	<p>This sector is very different, because there are too many things going on.....big brands like P&amp;G, Safeguard, Pampers, they will do 2,3 or 4 campaigns a year.....whereas in telecom you have to do campaign every month and sometimes twice a month. Because of the fact that this industry in Pakistan is very competitive, cost cutting has been going on for the last 10 years, So you have to be very attentive to see what your competitors are doing, if they counter offer your product then you have to respond back. And that has to be immediate. Because customer switching cost is very low in this market. The customer switches instantly and when you go back to get that customer, that's very expensive. The first priority is to retain</p>

	<p>your customer. And not to just only go after the customers that have left you, you have to retain your customers. Its really difficult to get back the customers who have switched.</p>
<ul style="list-style-type: none"> <li>• Proactivity of agency</li> <li>• Autonomy to the agency</li> </ul>	<p>In telecom they have some many advertisement campaigns, If you have to make a campaign, that is very challenging in the recent market. You get a brief from client that we want to communicate the X,Y,Z offer for the next month but then you have to get back to the drawing board that what are going to do to make it clutter breaking because that's the only brief that we get. Everything is an offer and it has to be clutter breaking because that's what sells. In telecom the concepts that are out of this world. So we design those concepts as well. We design some safe options as well. We design multiple 6 to 7 campaigns. We have a creative team of 8 people, who work on concepts only. So they work on concepts, then we go for presentations. If the client and particularly the brands team likes the concept, if they like your concept then it comes to the product team. There are different departments and then department heads as well who have to approve. After that you have to meet the CCO's or the VP of marketing. After all this you get the go ahead for the production.</p> <p>We give them ideas that we will shoot in Dubai, Bangkok, in Turkey but then there is cost factor, there is production quality value. We signed Nargis Fakhri, Ali Zafar only to grab attention. But when you get these people, it gets more expensive. Its our job as well to give solutions to 'company X' that you should this or that celebrity for the Ad. You have look at the</p>

	<p>budget as well because marketing has an endless budget. When the TVC is done then comes the main part of our work. TVC is shoot by our production team. We hire directors who will shoot the TVC, but at the backend we are making the key visuals of the campaign. Key visuals will be adopted all over Pakistan, billboards, digital mediums, then there has to be activation ideas as well. How we will promote this offer or this product. There has to be images to what we are saying, everything we say, we have to present that as well. If I give an idea that we will do a mall activation, then 'Company X' does not want to hear my words only, they want to see what are we trying to sell them. So they will need some references as well.</p>
<ul style="list-style-type: none"> <li>• Evaluation of the relationship</li> <li>• Tight deadlines</li> </ul>	<p>They might give you a week to plan and design a campaign. The production takes a week or two as well. Then you go for key visuals. So a full fledge campaign will take around 3 weeks to get on air. Which is very little time because if you look at other brands, they plan before 2 to 3 months. But here in a matter of weeks we have to develop and we have to give it for the media. Billboards advertisement is different but media and TV advertisements is very expensive.</p>
Role of trust	<p>I think for every relationship, to be successful there has to be trust. The same goes here. We are like husband and wife. 'company X' will call me instead of emailing me and they will say that they want this to be done. It's their trust on me and I will do this work. Because it is advertising work, you can get a call in the</p>

	<p>middle of the night at 2 or 3am that there has been some issue, we are asked to resolve that. You cannot open your laptop at that time and check your email. You listen to the person and just fulfil their requirement. If they want a whole CVC to be changed, and they want you to do this in one night. That is the example of just one campaign that went the wrong way, that was very unfortunate for us. Because we launched that campaign at 1am on the Friday night and we get a call at 1:15 when we are about to leave the office that there is something wrong. Telenor have come up with a better offer so we have to counter it. We hadn't launched it yet but we were asked to counter it. So we did the whole re working in one night. There was no email saying that we have to do it. The whole office sat there till 10am in the morning. So we designed everything from the scratch. The whole TVC, VO everything edits had to be changed.</p>
<ul style="list-style-type: none"> <li>• Evaluation of the relationship</li> <li>• Quality of the brief</li> <li>• Meeting deadlines</li> </ul>	<p>I think you cannot be fully satisfied because this job is very difficult. There are times when you lose your temper because sometimes they wouldn't give proper brief. Just because of my experience of working with them and the trust that they have, they would assume that this guy knows what we are talking about. Sometimes they will give their feedback and sometimes you do not like their feedback because they brief was given in one way then they want totally something different. So there is some communication gap. I talk with my client every day and sometimes once every 2 hours, I give them a call after every email. I deal with 100-200 emails per day. That's how</p>

	<p>much work we do. Sometimes we have to go to 'company X' to get proper brief because it is not possible sometimes to get the brief on email. So there is some communication gap because product teams, they talk with brands team and then we deal with brands team. We are only communicating with brands team because they are responsible for the whole 'company X' communication. The brands team is the part of 'company X' and they sit in the head office.</p>
Proactivity of the agency	<p>I think it is a mixture of all of that because we cannot rely only on experience, you need to do work at the end. Recently, 'company X' called the pitch, pitch for agency hiring. You cannot stay with 'company X' forever, its contract based. So all the agencies from whole of Pakistan was invited. We were chosen after 3 months of rigorous process. We had to give presentations, out future strategy, we had to show them why are we here. I think why we won the account again is simply because of our resources. Our agency does not know how to say no. We will do the work at any time or even on weekends. So that's what they actually looked at as well that this company is devoted to us. For any other company to work with them, they have to know how the brand works. How the people work because 'company X' isn't so structured. It's not about we are very good at what we do but its more about we actually do it whenever they ask. That's the most important factor.</p>
Role of contract	<p>The contract is the legal document and usually it's the paper agreed between the senior management of the client and the agency. On a daily basis it does not has</p>

	any role to play in our relationship.
Social bonds	<p>We have actually bonded very well each other. I have a client representative who I talk to. He is my contact person. I cannot talk with the whole brand team. I talk with 2 people in 'company X' who look after Mobicash and Data. So I have developed very good relationship with them. We go out to have coffee, that is very important on the basis of that sometimes you are a bit relaxed. This our agency has developed such type of bonding relationship with 'company X' that is why we have been with them for more than a decade now. Our RD is a firm believer of networking as well. You cannot rely on good work, you have to do proper networking as well. That is very important. Most of our people have developed very good relationship network with the employees of 'company X'. It can help you out sometimes.</p>
Evaluation of the relationship	<p>its mostly the client. They will try to see what's their usage. They launch their services so they have to show to their head office to justify the budget that we spent this much and the usage went up or didn't or there was no effect. So they do this part and we get a idea through the people, did they liked the campaign or not. We get impression from the social media about the success or failure.</p>

## Appendix-2

### Extraction of themes of Interview from the respondent of a bank

Date: 30<sup>th</sup> December, 2015

Emerging Themes	Transcript
Personal background details	I joined 'banks X' two years back as an intern and my Education is MBA- Marketing. So my job started as an Marketing Intern then got promoted to Marketing Executive and then I switched my department to Product development. But I thought that my main field is Marketing and my strength lies in marketing so I switched back to marketing as a branding analyst. Currently I am working as a branding analyst and in future hopefully I will be promoted to brand manager.
Satisfaction	Our marketing agency is 'X' and they are working with us for the last six to seven years. So basically when I joined bank they were on board with us. Currently we are in process of re-hiring a new agency. Why is that, it's a long debate because three years back we launched our full scale banking before that we were only focusing on micro finance sector. We are still focusing on micro finance sector but then we were not a commercial bank. We did not had that wider range of products with us. Now we have a commercial banking with us and nine different products of individual landing. So the scope of marketing is different than what it was three years or five years back. So the current agency 'X', we think they wouldn't be able to fulfil our need. The current team, the Islamabad team.
	We need a new dimension into our campaign, we need more resources who are not new in the field. They have



Resources of an agency	done something in the financial sector. And we feel that the Lahore team of the 'X agency' has all those qualities with them and the other two agencies that have been pitching to us. So that's why we are in process of rehiring a new agency.
Location of Business	I am gonna say all three because one agency has an office in Karachi, the other one is pitching through Lahore office and the third one has an office in Islamabad. They have a whole team in Islamabad. So yes, we have given them an edge because of that.
Network of Agency	Let's not talk about the three agencies that have been pitching to us, its important for us to see what kind of a network do they have. What kind of international market experience they have. Having a better understanding of relationship with the media houses is useful for us because in return they can take us discounts. How big their business is, the network they have, let's suppose if an agency has Telenor or 'Company X' or HBL on board, these agencies have great circulation in the media. What happens is using their network, our agency can have better rates for media for us. Because our budgets are limited because being a micro finance sector bank, our marketing budget is not than much as compared to a telecom company. These companies have extensive spending. This matter to us that which agency can provide us the best rates, we can get the best position for the advertisement because we are not releasing add very frequently in terms of media houses. Same is the case with the television adds, to get the best spot and then taking discounts from the media houses because they have been giving the media houses business through

	<p>other means. International experience does matter to us. In our case, all three agencies are affiliated with international agencies. They are representing international agencies in Pakistan. Then we know that who are their international clients and how they are bringing their experience in Pakistan.</p>
Range of services	<p>If we have to choose one agency, ideally we would like that agency to give us all the services. Full-scale service like, currently we have Zenith and Red, they are dealing with two different departments. One is related to the PR department, the other is creative and releasing adds as well. But yes if have to hire one agency, we would like to have that agency to have full scale service. Like currently the services Zenith is providing us, we would like our new agency to provide those services as well. To have one contact person and get better rates from them.</p>
Marketing in the banking sector	<p>I think the marketing of the financial sector is very different from the marketing of lets say telecom because; let's break it down. When we talk about the financial sector, we have the two categories. One is commercial banking and one is micro finance sector. Even if we talk about these two sectors, there is a lot of different between the nature of spending. Why is that because micro finance sector has a different target market, even we are targeting for depositing accounts or MSME accounts they are not as bigger of a customer than a commercial bank. They have a wider network of branches, they have to spend so much money to reach all those areas. Although 'X' bank is one of the leading bank in micro finance sector and we have 128 branches</p>

	<p>which is the largest network of micro finance branches in the country but still our expenditure is not the same to the commercial banking. Coming back to the question, its different from telecom because telecom is targeting different markets at the same time. They have a different kind of target market in their mind. For us the target market is very limited. For us the budget is limited. So we have to be very strategical is our approach. We would not spend just because we have to spend on marketing, we will spend because we want some return from that spending.</p>
Role of trust	<p>I think trust is one of the most important factor in having a relationship with the agency. Why, because if you don't trust then to deliver us the kind of work we are expecting, How can we work with them. Its not about being creative, its also about being on time for us as well. Like if they have promised us to deliver something at 12 pm, we would like it to be on that time. The trust in the kind of information they have about the clients in our case about our bank, its very secretive and I would say its very confidential. They can leak our information to other clients but that's the thing they don't leak it out. That is why they have been with us for the last 7 years. I think a relationship develop because of trust. If we come to know from any 3<sup>rd</sup> party that our information has been leaked and it leads back to the agency so then no matter how good the agency is or good work they are doing for us, we will immediately terminate the contract with that agency.</p>

Communication frequency	<p>On regular basis. Because all our branches have different requirements. They require different kinds of art work and design, launching different products, different campaigns and those campaigns are activated at different time. They have to develop everything for us. It's a to and fro communication. Once a design is finalized, we may ask to change it so it's a to and fro communication. Mostly through telephone because via email you can't describe everything and face to face is not possible that a person goes from our bank to the agency or vice versa. Although they do send a guy to us for most of the work but then to have a better response we communicate through telephone even if we have to communicate each other after office hours, we do that. Although its an understood SOP, not a written SOP that if they are calling us after office hours, we donot have any issue and similarly if we are calling them then we don't have any issue.</p> <p>it's an obvious thing that if we do not communicate often then things will get delayed. Your campaigns will get delayed. Sometimes we are given just one two days to prepare for our sponsorship and that's the crunch time for us because the agency has to stop everything that they are doing and focus on making the design for sponsorship. At that time we are communicating with each other quite rapidly and frequently.</p>
Proactivity of agency	<p>They bring designs basically but if we go into the newspaper campaigns YES they are the ones who design the whole campaigns for us. In that case we are only sharing the budget with them. We tell them that's the kind of budget we have and we want maximum output from this budget. That is when they share a</p>

	<p>detailed campaign with us. Giving us different ideas, like going into the newspaper and not going to that magazine, stuff like that.</p>
Role of contract	<p>I think for us in this scenario, its more about mutual understanding not the contract that we have because 'X' has been working with us for the last seven years. We got into a more formal contract about 2 years back in 2014 that we started paying them a fixed amount.</p>
Social bonds	<p>Its just that they are sitting in their office and we are sit in our office however, our communication is so frequent that sometimes, not sometimes but it's a fact that our communication with the agency is more than the kind of communication we have with our colleagues in the office because we are dealing with the agency's personnel more often being a marketing person. I think in my personal view, I am not talking as an employee of 'X' bank, as a person I think one should have a relationship other than business relationship. Coming back to that factor, the trust, if the agency trusts the client or the client trusts the agency, they should have a personal relationship. I guess both parties donot have un-given advantage, we donot want to develop unfair means but its just to develop better relationship. The benefit being a client is that the agency provides you such services that are out of the way and normally an agency wouldn't give you such services. Like in my case, I have a very good relationship with 'X', with their employees. What they do that even if I ask them to do something beyond office hours they will do it. Because I will not demand such favours on regular basis. We are giving them an order, its more like a request that this is</p>

	<p>urgent. Because of the relationship we have with them they will do this for us. It happens very rarely but it does happen. If you don't have a good relationship with your agency and more specifically with their staff then they will do the work for you but it wouldn't be good.</p>
<p>Evaluation of the Relationship</p>	<p>now are re-evaluating because our scope of marketing and communication has changed. That is why we are re-evaluating our relationship with the agency. We are very much satisfied with the kind of services they were giving to us but now yes, since our scope has changed, we want them to be more creative and come up with better options and we feel that we can look for other options. Because if one agency is giving you services, then you are not sure that if that service is best. In the future we are planning to re-evaluate after every six months . We will be evaluating them continuously but the contract will be re-evaluated after six months. That is what we are planning to do.</p>
<p>Proactivity</p>	<p>Most of the ideas come from the agency but then once we have the ideas on the table, we change the ideas and by we mean my team. We discuss it internally, if we are not satisfied with the kind of designs, we search the designs and come up with the designs and tell them develop new designs. If I talk about my personal role, whenever we talk to the agency about the design, I always tell them to share the designs that we have asked them to share and then share the designs the you (the agency) think is better. May be we are telling them something that they think is good. in this scenario, 3-4 options are those that fulfil our needs although all the designs fulfil our needs and there are</p>

	some designs that the agency creates by itself.
Evaluation of the agency	Our evaluation process is very strict and tough because having a limited marketing budget, we cannot afford and it shouldn't happen that you are wasting the money of the marketing department. The campaign that we design, we make sure that it's the best idea because whenever the campaign is being launched, its not only the agency and marketing department involved, we take on board the front line staff of the bank when the campaign is being launched and we do take their ideas as well. On the basis of their feedback we design a campaign.
Role of contract	I don't think that the contract is an obligatory thing for us. If its an unsuccessful campaign, then whose fault is it, is it the fault of the agency of the client because the client has given all the feedback to the agency. It depends, if there too much mess and the total fault is on the agency's side then obviously we will re-evaluate the relationship and we will look for other options.
Evaluation of the relationship	In our case the outcome is very different, we donot have fixed tools to measure. What's our criteria is that we pick up the data for the previous month or the previous months and compare the data after the launch of the campaign. Then we have a feedback survey in our branches. They customers is asked that why they have stepped into the brand of the 'X' bank because of this or that factor or because of the campaign factor. That's the kind of tool we use at the moment. But since we are going to launch a bigger campaign soon, we are in a process of developing different tools for the measurement and our product department is basically developing these tools for us. We are in process of

	hiring a research agency, which will conduct all these researches for us.
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